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THE TRUTH ABOUT GERMANY

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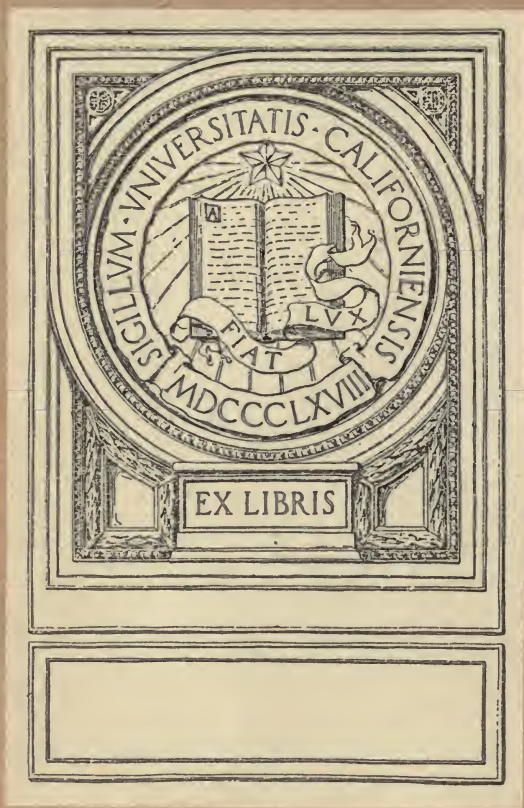


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BY
JOHN MURRAY
M.P. FOR WEST LEEDS.

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**THE TRUTH ABOUT
GERMANY.**

NO. 1000
ANNOUNCER

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UNIVERSITY OF
CALIFORNIA

Murray, J

" THE TRUTH ABOUT
GERMANY.

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GERMANY IN DEFEAT

CHAPTER I.

I WENT to Germany with the ordinary questions in my mind—Can Germany Pay? Are the Germans prosperous? Are they plotting a War of Revenge? How shall I be treated? These were the questions to which I chiefly wished to find the answers. The answer to the last question proved to be easy and pleasant. I was treated by old friends and new acquaintances, by private persons and by officials, with naturalness and courtesy and kindness. To the other questions, "Yes or No" answers can scarcely be given. It is impossible to sum up Germany, either on the political or on the economic side, in one all-comprehending judgment or in a prophesy.

Germany has always been a land of opposites, of contrasts, and of contention, but never more than now. I do not believe that it is possible for any man, be he a foreigner visiting Germany, as I was, for a few weeks, or a German in the centre of affairs, to form a true and full picture of German life; so multifarious are the phases of that life, so diverse its tendencies, so contradictory the clamour of parties and interests and classes. Germany is in ferment. To all the stock questions about Germany's power to pay and will to fight, "Yes and No" seems to me to be the safest answer. What she is now and what she will become is made obscure both to her own citizens and to strangers by the all-pervading excitement which is the key-note and the key-fact of Germany to-day. It is with sixty millions of excited

men and women—the women must not be forgotten—that Entente statesmen have to deal. The tension of life is high among them, in personal affairs and in politics and business. When the French rattle the sabre, Germany quivers, not so much from fear as from nervousness. I do not deny that the French have some title to rattle the sabre. But the exercise of rights, no matter how indisputable, may yet be untimely or damaging. When Lord Derby said that the “Big Stick” is the only argument Germans understand, and that it must be wielded by Britain and France together, Germany quivered throughout. German newspapers, usually devoid of British news—as a rule they cannot afford a service of their own—all published Lord Derby’s remarks, amazed and indignant that the British should still misunderstand them. So little intercourse exists between Britain and Germany that Lord Derby’s expressions, though unfortunate, were not unnatural. Not many Englishmen go to Germany, while for Germans foreign travel, foreign books, newspapers and news are prohibitively dear. Thus mentally and morally Germany is still, in a measure, under a blockade.

CONQUEST’S BITTER AFTERMATH.

I have come back from Germany believing that the Germans are better losers than could have been credited in advance or is realised now by those who have not taken the necessary pains to inform themselves. Nor is this unnatural : for human nature bears adversity better than prosperity, and endurance is distinctively a virtue of the German. The Germans distinguish between the territorial victory which the French have won over them, and our victory, which, for want of a better word, I shall

call "moral." With the French, their age-old enemies of alien race and qualities, the Germans have often quarrelled about the buffer-lands between the two countries. With ourselves, whom they thought nearer them in nature, they fought for a mastery which, again, I shall call "moral." They seem to me to realise their failure ; and the collapse of their gigantic effort to win world-leadership, which has brought them loss and suffering and despair, has opened their eyes to many things. They realise, as never before, the elements of superiority in British life and character. It is not unfair to say that in the Great War our own Overseas Dominions and the United States rediscovered Britain for themselves. So have the Germans done. I found many Germans ready to admit that German nerves are inferior to British, and that life in this country distils somehow a something which makes for victory in the supreme encounters. On the political side they see how much wiser was Bismarck's policy of maintaining good relations with Britain and Russia than the flaunting provocations of William II. Their experiments in free constitutional government have the hearty backing of most of the nation : it is only a minority, of uncertain size, that wishes to go back to the old regime under which the Kaiser, the General Staff of the Army, and the bureaucracy ruled, while the Reichstag provided the decorative exterior of Government. The new experiment is conducted under difficulties. One of these difficulties is that Britain, the home of the Parliamentary principle, views the experiment somewhat sceptically, whereas the Germans, very earnest in the matter, and, perhaps, a little naïve, had hoped for her benevolence and encouragement.

ENGLAND AS EXEMPLAR.

The new Germany copies Britain in many other things besides politics. Sport of all kinds gains ground rapidly. In a long Sunday afternoon train journey through Bavaria I saw games of football in progress at most of the towns and villages on the route. The other day a huge gathering of 20,000 men and women of the working classes was held at Leipzig for displays of gymnastic exercises. Rowing and sailing clubs increase very rapidly. Racing news occupies a notable amount of space in many newspapers. Educational reformers draw inspiration from England, and especially from the English public schools. Even the peculiarly English idea of social settlements has taken root in Germany. Thus the attitude of Germans towards England has elements of interest and curiosity and imitation, though it contains much else and is certainly not all of a piece. They entertain cautious hopes of English policy on the continent, reflecting that England has usually sought to limit her interference in Continental affairs to such measures as were strictly necessary to safeguard her own interests, many of which lie far away from Europe. Many Germans assume that Britain has already washed her hands of the Europe which the Great War has produced—in the sense of abandoning it to the French. Some Germans argue, therefore, that Germany, with nothing to hope for from Britain, should make the best terms possible with France, and turn the edge of these, as far as can be managed, against us. Such a course might be logical, but hardly hopeful, at least in the present generation ; and the section of opinion that plays with these paradoxes is, I believe, small and negligible. As a rule Germans would fain think, though

they scarcely hope, that Britain will not be content merely to have seen the French through the last stages of the great interference which she undertook in August, 1914, but may also interest herself continuously in the new problems created by the issue of the war. They hope for this not merely because they are Germans and may gain by the active exercise of British influence in the re-establishment of Europe, but also from a pupil-motive—if the term may be allowed—which is a small thing if judged from certain points of view, but ought not to be ignored.

It is because the attitude of the new Germany to Britain includes certain elements of regard that such utterances as Lord Derby's strike home very sharply. To add thus to the excitement of a nerve-ridden country is the more unfortunate in face of the German attitude about payments under the Treaty of Versailles. The German view seems to me to be both simpler and less simple than is supposed by many critics. Continental peoples, more used than ourselves to wars on their soil, view with a fatalism and a cynical philosophy which Englishmen have difficulty in grasping the circumstantials and the consequences of war. The Germans believe that wars have recurred in the past and will continue to recur, and that the winners will continue to take and the losers to pay indemnities. They recognise, as losers, that this time they must pay. On the other hand, they refuse to bear the entire moral responsibility for the outbreak of the war, which the Treaty attributes expressly to Germany, and uses to justify the very heavy burdens which it imposes. Their denial of this responsibility illustrates the mental isolation in which Germany still lives.

“WAR GUILT.”

The same burdens would have provoked much less resentment if they had been made to appear nakedly as the penalty due from losers to winners. The question of “war-guilt” is noisily and bitterly discussed at this moment throughout Germany, but with no realisation that the rest of the world has long since made up its mind on this matter, or that whatever the Entente Powers may think of other grounds for easing or lightening the German burden they will abate nothing on the score of war-guilt. The amounts, the periods, and the conditions of the payments under the Treaty are onerous and uncertain, and the Germans criticise all three, but without seriously questioning the indemnity principle. Losers this time, they may be winners another. Their attitude in this is fatalistic rather than revengeful.

To-day Germany appears to me to be far too tired of war to be thinking or planning about revenge. What she will do in the future cannot be forecasted except to this extent—her behaviour will depend in part on the Entente’s treatment of her in the present. Germany’s acceptance of the principle of indemnities seems to me to be real. Some may think it even ominous.

As regards the dates and the amounts and the conditions of payment, she desires account to be taken of her present state and of her real capabilities in the period of payment. Her present state, as I have said, is one of excitement and strain, the causes of which are manifold. Of this state the Entente must take account, if the Entente desires seriously to obtain reparations from Germany, or feels a scruple about precipitating in Germany a crash more disastrous than was that of November, 1918.

CHAPTER II.

THE DIFFICULTIES OF THE GERMAN GOVERNMENT.

GERMANY has been described as "a regulated but not an organised country": and the distinction implied in the description is illustrated with peculiar clearness in the Germany of to-day. Regulated countries present to the casual beholder much the same appearance as organised countries, especially if the regulation be skilful, thorough, and general, as it was in Germany during the pre-war epoch. But mere regulation, though it can produce docility in certain matters, may in others leave the individualism of the community assertive to the point of disruptiveness.

Beneath the appearance of order imposed on the old Germany by an elaborate system of administrative politics there was curiously little moral unity or instinctive cohesion. The clash of interests in industry, the opposition of social classes to each other, the rivalries among the German "tribes" were far harsher than the corresponding differences in England. Germany was, and is, a badly unified mass. The ultimate cause of this lies in the German nature. As a rule Germans differ to disagree, and disagree to quarrel.

There is some truth in the view held by many Germans that only force can hold Germany together—the internal force of autocracy or the pressure of enemies from outside, or both together. At the present time many

reactionaries welcome the course of French policy. The provocative and capricious interference of the French in Germany, as they regard it, seems to them the best and almost the only hope of a German revival. In the revival they desire, the old aggressiveness of classes and "tribes" against each other, and that of the whole mass towards the outside world, would reappear. The old twin habits of docility and strife are on the side of the reactionaries: and so are many politicians outside Germany, little as they may realise it. Against the reactionaries are many of the lessons of the war and the revolution, though neither of these great events could alter the nature of the present generation of Germans. These events have made Germany responsive, in some degree, to new ideals and methods, and have given her a short period of plastic heat. What these new influences and conditions will make of her depends on her Government and also on the Entente's policy, and on sheer luck.

The Entente has a great and obvious stake in the stability and authority of the German Government, which must be its agent for the collection and payment of money under the Versailles Treaty. It is worth while, therefore, to examine the conditions under which this Government holds power.

"SEATS OF THE MIGHTY."

Of the old seats of power, two, the Kaiser's Palace and the inconspicuous brick building of the General Staff of the Army, near the Reichstag, count no longer. The third, officialdom, counts even more than before, for the war added to the influence of the Government Departments, and the revolution was careful to preserve the bureaucracy. It is usually said that the sympathies of

officials are strongly on the side of the old regime. But whatever sympathy with reaction may exist among the pre-revolution officials, who are the vast majority of the class, can be misjudged very easily. What officials prize most is power and security in the use of it. In the past the German conception of politics was administrative rather than parliamentary. The most attractive positions in German public life are still, perhaps, the high administrative posts in Berlin and the provinces. Whereas under the superficial absolutism of William II the bureaucracy enjoyed very large powers and great social credit and fairly good incomes, the new Parliamentary regime threatens or has already diminished these advantages. Civil Servants naturally dislike politicians. The natural jealousy of German officials against parliamentarism is sharpened by the failings of the new parliamentarism, which is weak, doubting, and timid. A Revolutionary Government led by new and inexperienced men along strange paths of public discussion, open bargaining, and day-to-day compromises—for such Constitutionalism must be—could hardly impress an old and skilled bureaucracy. On the other hand Officialdom has suffered very severely in recent years by the rise in the cost of living. The working classes, the manufacturers, and the traders have been able to readjust wages, prices, and profits more or less, to the phenomenal decline in the value of the mark.

MIDDLE CLASS MISERY.

The comparatively unorganised middle class, dependent in great part on fixed salaries, or the interest of investments, has had very painful experiences. An educated official who has now to live like a workman, or the pensioner or the rentier, the interest on whose stocks

formerly maintained him the whole year, but now maintains him for a week at most, may well be forgiven for disliking the present regime. But it is not to be supposed that those Germans who "blame the Government" for all their troubles are double-dyed reactionaries. Such discontent as exists among the officials appears to me to be due more to economic grounds and to the special political grounds to which I have alluded than to yearnings for a return to Kaiserism. But whatever the causes may be the discontent itself is a handicap for the new Government, which must necessarily depend in many things upon the administrative machine. The matter has, too, an uglier side. Ill-paid officials tend to be corrupt. In the old days German officials were incorruptible: to-day certain sections of the administration are said to be "Russified."

The new Government in Berlin is not the only Government in Germany, for Germany is a federal power, and the New Federalism, of which I heard much talk, is a further difficulty for Berlin. Many circumstances during and since the war tended to centralise power in the Empire. But the issue of the war and this very centralisation have stimulated the "subordinate patriotism" of the Federal States. The New Federalism has not as yet taken shape. I do not believe that it involves or can easily be made to involve the political dismemberment of Germany, though it may loosen the tie between the Empire and the Federal States. In particular, it may deprive Prussia of her predominant voice in German affairs, which might be desirable from certain points of view. On the other hand a strong centralised Government in Berlin constitutes a guarantee of payment under the Versailles Treaty, and ultimately, indeed, it is the only guarantee.

WHAT BAVARIA DOES

The quarrel between Bavaria and Prussia over the special law for the Defence of the Realm, which the Reichstag passed after the murder of Rathenau, is little more than a phase of the New Federalism. Bavaria is apt to lead the way in Germany, just as Lancashire is said to anticipate by one day, but only by one day, what England is going to do. Bavaria had its revolution one day ahead of Berlin, in November, 1918. It had a period of Bolshevism early in 1919, and thereafter a rapid and great reaction, so that to-day the Bavarian Parliament and the public, too, are less socialist than any others in Germany. The love of Monarchy as an ideal for the German State is probably strongest in Bavaria and weakest in Saxony, where the Government is purely socialist. The numbers of the parties in the two Parliaments are as follows :—

	Majority Socialists.	Independents.	Communist.	Total—	In a House of
Bavaria	26	15	7	48	158
Saxony	27	16	6	49	96

Of all those with whom I conversed in Germany only the Socialists appeared to value the Republic for itself. The rest looked on it as a stop-gap form, hoping that meanwhile the authority of the Reichstag as a responsible Assembly will become strong and stable and that a new breed of public men, comparable to our own, will have the chance to establish a good position. All Germans, however, regard the question of the return to Monarchy as a question for the future. The murder of Rathenau has unquestionably strengthened the present regime, and made this question of rather distant interest. I doubt

if any King could be set up in Germany to-day or in the near future except either after a civil war or by the secession of a Federal State from the Empire : though a nation subject to such tensions as now afflict Germany may falsify the hopes or the fears of observers by sudden impulse or spasm. In all the German states the instinct for unity seems to be strong enough to prevent disruptive conflict about "state-form." All Germans know that nothing would serve French policy better than the break-up of the Empire, and on the whole that suffices for them. Though most Germans are monarchists, they will hold to the Republic till its work is done. Whether they will continue to hold to it if the present experiment in Constitutionalism succeeds and the new form of State authority, namely, the Parliamentary, takes root in the German nature, is another matter. In politics the Germans are in part the pupils of England ; and England is not a Republic.

The character of the Berlin Government and the basis of its power involve certain embarrassments. In the first place it is a Coalition Government : and if its enemies, the Right (Conservatives and Industrialists), and the Extreme Left (Independent Socialists and Communists) combined, it could be outvoted. It commands only 220 votes in a House of 469. The Coalition consists of Majority Socialists, the Catholic Centrum, and the Democrats ; all three parties that in the past sought to intensify their differences rather than to find common ground.

THE REAL REICHSTAG.

Some of these differences are in abeyance for the moment, though the question of religious teaching in the

elementary schools may provoke a crisis before many months have passed. The Socialists are wedded to the idea of strictly secular education, while the Centrum insists on religious teaching, and the two parties are not agreed on the interpretation of the Weimar Constitution,—the new Revolutionary Constitution under which Germany is governed. The Socialists, moreover, have their strength in the towns, and especially in the manufacturing parts of Saxony, Thuringia, Prussia, and the great seaports. The Centrum represents mainly the peasants. At present the tension between town and country is severe. The Government's proposal to assess a very large quantity of cereals on the farmers at a low price in order to provide cheap bread for the towns threatened for weeks to break up the Coalition and necessitate a General Election. One of the political effects of Rathenau's murder was to facilitate the passage of the Corn Assessment Bill. To have rejected it would have been to give the Socialists an irresistible cry at the Elections, viz. : " Cheap Bread."

Of the Democrats it may be said that they have the best ideas and the surest political instincts of all the parties, and they are ably represented in the Press. They have a close kinship with the best tendencies of Victorian Liberalism in England. Their numbers are small. Their party could not but suffer under Kaiserism. The declarations of President Wilson brought the Democrats a considerable accession of strength, for he seemed to the German nation to enunciate the ideals of the Democrats. But the Versailles Treaty by destroying many German hopes, destroyed, too, the prospects of the Democratic Party. In spite of small numbers, however, the Democrats

have been able to exert substantial influence, not least, perhaps, by promoting the practice of Coalition, for Coalition is proving to be Germany's "School for Politicians."

The Parties in the Coalition being distinct and very self-conscious, it follows that the head of the Government, the Chancellor, has only a limited freedom in the choice of his Cabinet. He must accept, on the whole, the nominees of the Parties for vacant offices. Three of Dr. Wirth's ministers have not even been members of the Reichstag—the late Herr Rathenau, General Groener, and Dr. Hermes. The character of the Government is what might be expected. It is timid, inexperienced, suspicious and weak, but, in my opinion, neither malicious nor dishonest.

THE RUSSIAN PLUNGE.

It is what the Germans call a "Government of Fulfilment." It is trying to fulfil the obligations of the Versailles Treaty, but believing them incapable of being fulfilled. Its enemies in Germany term it the Entente's Bailiff: its enemies outside blame it as refractory. I believe that it is pursuing a middle path with a self control and a success that under all the circumstances are laudable.

The conclusion of the Rapallo Treaty with Russia illustrates its weaknesses. There was very strong pressure from home upon the German delegation at Genoa to take some step, indeed, any step, that would show Germany to be capable once more of political initiative. Mystified by exclusion from certain "talks" at Genoa, wholly unskilled in international negotiation, and drawn on artfully by the Russians—who were under a similar pressure from home to do something—they took their

first diplomatic plunge, only to provoke rebukes and suspicions abroad, and embarrassments at home. The treaty has given the Bolsheviks in Germany, both native and Russian, a better footing, and greater courage and hope. There is an active Bolshevik mission in Berlin, well provided, it would appear, with men and money for the conversion of western Europe to the faith of Moscow. Only the Bolsheviks like the treaty, but not even they derive advantage from it. So far as the reconstruction of either country is concerned the treaty will remain empty until the outside world comes forward with real help for Germany and Russia. Two bankrupts might just as profitably shake hands at a meeting of their creditors and promise to make each other's fortunes.

GERMANY'S DARK HORSE.

The old power of the Kaiser and of the Army chiefs having gone, the industrialists, enriched and strengthened during the war, are the chief gainers in political power. In the past year they have been the chief opposition, fighting the Government on finance. It is not that they have sought power, or are politically ambitious or adroit. In the old days they usually enjoyed the favour of the Government, and being intent on the progress of industry, they looked on politics as a means, not as an end in itself.

The party of the Industrialists, the Volkspartei, needs to "repoliticalise" itself, if the word may be allowed. It is the Dark Horse of German politics. It stands next rightwards from the Government parties. It is the party to which Herr Stinnes belongs, but which does not belong to Herr Stinnes. Many people outside Germany imagine that Stinnes and Ludendorff are the real powers in that

contentious country. Both, to tell the truth, are political "duds." The one is incurably militarist and a hopeless intriguer, devoid of the democratic "Sense of the People." The other is the-business-man-in-politics to the exclusion of political ideas and instincts. Stinnes' best friends, it is said, counsel him to stick to his ships and his mines. In November, 1918, Germany was saved from utter disorganisation by one thing, and one only, the compact of co-operation between employers and workmen led on the one side by Rathenau and Stinnes and on the other by Legien and Stejerwald. Industrial relations have undergone a notable change for the better in recent years, but the industrial rapprochement has not as yet led to a relaxation of political tension. Such a move would be a token of an advance in political education and also a pledge of stability. If the Volkspartei, events helping it, would address itself with less prejudice than it now shows to its political tasks, German politics would gain in momentum and in practical ideas.

THE MURDER OF RATHENAU.

But this move, desirable as it is in Germany's and the Entente's interest, must depend, clearly, on the views of the Germans regarding the economic burdens imposed by the Allies. These burdens can only be liquidated by the work of the German people; and full co-operation between employers and men must depend on their acceptance of the task set them as more or less reasonable. Yet there is one thing more to be said. The immediate result of the Rathenau murder was to strengthen greatly the parties of the Left. The Majority Socialists at once established an *arbeitsgemeinschaft* (co-operation) with the Independents, and talked, provocatively rather than

seriously, of an all-socialist government. The Centrum and the Democrats, alarmed for bourgeois principles, then proposed to bring in the Volkspartei. The Socialists objected to this vehemently. There can be little doubt but that the double inclusion would be advantageous for Germany. The Independents are a dying party, fated to lose to the Communists on the left and to the Majority Socialists on the right. The adhesion of the Volkspartei would be sheer gain. But the whole question stands adjourned until the autumn, or later: and its adjournment illustrates three things, the bitterness that rages among parties, the revulsion against the extreme right which followed the Rathenau crime, and the intrinsic weakness of the government, that has to reckon the leaders of the country's business as among its enemies. There is an obvious riposte to the attitude of the Socialists towards the Volkspartei, viz : to form a bourgeois block. But the time for that has not come yet. A step that in the present state of feeling could not but seem to be aimed at Socialism, at the working-classes and at the Republic, might bring political ruin on the parties that attempted it.

CHAPTER III.

HOW THINGS LOOK.

I VISITED Germany in the days of early summer—days when everything smiles and nature dons her freshest green in the plains of the North and in the hilly South. Wherever I travelled in rural Germany careful tillage and trim woodlands were to be seen, the prosperous signs of much labour and thought. It was the season when human energies seem briskest, when bright eyes and sunburnt cheeks and touches of spring gaiety in dress convey an impression of happiness and strength ; and it was, of course, a holiday season.

The towns I visited were full of bustle. General traffic was fairly plentiful, and in Berlin and Munich taxis were numerous and busy. The shops, too, seemed to be busy, though less well stocked, to the casual eye, in Berlin than in Munich or Cologne. The great cafés in Munich were as popular as ever, and the theatres were thronged.

I read in the newspapers about many large reunions, commercial, religious, technical, and indeed of most kinds. Thus at Munich there was an "Electrical Week," experts attending from all over Germany. Elsewhere reunions of University Students' representatives were being held, reunions of the Lutheran Churches of the various Federal States—these churches are busy forming themselves into a "Kirchenbund"—of Peasants' Associations, of the German equivalent of the Federation of British Industries. A large male choir from Vienna visiting Berlin received an enthusiastic welcome in the highest circles and among

the general public, a welcome inspired by politics as well as by the love of music.

At Whitsuntide 20,000 representatives of Catholic trade unions gathered in Cologne for a great international festival, to be preached to by the Archbishop in the Cathedral, and lectured on social topics and fêted in various ways, and to lay tokens of remembrance by the Statue of Father Kolping, the founder of the movement. I shall have something to say about this movement in later articles upon industrial questions. I mention these events here as evidence of a stirring life. Many of these assemblies lasted for several days, and must have cost the participants large sums for fares and hotel charges.

The Germans, or some of them, have spending-money for such purposes : were it otherwise, Munich would not have embarked this summer on an imposing Exhibition of German Industries. Germany, indeed, is very active, and her multifarious life makes a striking spectacle in Whitsuntide sunshine.

In many respects she is reaching out creatively towards new things. New ideas succeed and supersede each other in popular favour. It seemed to me that experimentalism had laid hold of the German language itself : a severe critic said to me that German style was "going to pieces." Foreigners will not be very sorry if this should happen. Experimentalism has certainly laid hold of German art. In matters of social and personal life, the new things include much that is good. In industry a new spirit of co-operation helps to soften the harsh antagonism that prevailed before the war, and this new spirit has inspired the invention of large schemes of industrial machinery, which have been embodied in laws.

THE STRUGGLE OF THE STUDENTS.

University life shows interesting new developments, some of these being due to the financial predicament in which both teaching staff and students find themselves : and in general there is a disposition in the educational world to seek new aims and to try new methods. In my first chapter I commented on the political receptiveness of the Germans, and in particular on a certain willingness among them to learn from our political development. They are learners because they are now free men. They are still in the grip of the war, and under the shadow and the burden of defeat. They are at the mercy of certain circumstances which make the whole nation nervous and excited. But despite excessive strain in the present and in the recent past, and the formidable anxieties of their future, they seemed to me, judging them by what I knew of them before the war, to be freer, fundamentally, in their bearing, and altogether more natural.

This changed attitude, which sometimes showed itself awkwardly in casual manners and even rudeness, is a small thing in itself, but important as a symptom. Perhaps it may be regarded, without much exaggeration, as a political leaven, as among the imponderabilia that are needful for the humanising of German politics.

Ascension Day, which is a great holiday throughout Germany, found me in Berlin. I visited Potsdam in the morning, and in the afternoon Wilhelmshagen, a small place 20 or 30 miles to the east, travelling in uncomfortably crowded holiday trains through the immense woodlands that encircle the city, and that were alive with picnickers and promenaders.

My fellow-passengers were working people, sedate and polite, neatly dressed in their best, and wearing their queer old trinkets, but also, in many cases, newer jewellery of greater value, which they had bought, no doubt, from the good wages of the war-years. They looked well, but perhaps a little delicate, and certainly much thinner than before the war. These were townspeople : in the country food is more plentiful, at least among those who produce it. The people of Munich seemed stouter than the Berliners, though that impression may have been due to their stockier build : but even in Munich, the capital of a rich agricultural country, food is dear and scarce, and throughout Germany food-problems have created a certain tension between town and country.

THE SUN-BATH CULT.

On the other hand the people of Cologne seemed to me to be thinner on the whole than the Berliners. There is no doubt that the lot of the townspeople in respect of food supply would be even more mournful than it is but for the vast development of allotments. Visitors arriving in Berlin, for instance, pass through great stretches of garden lands on the outskirts of the town, most of them new or recently laid out. Even in these allotments the German neatness is visible. Many German families spend the week-end on their patches, the shelters being better than could be found on our allotments. There they take their ease in the broiling summer weather, glad to escape from the dense barrack-tenements where they have their homes and to enjoy something of a sunbath, for the cult of nakedness has spread among all classes. In Southern Baden the peasantry lack for nothing ; or else their aspect

belies them. On the other hand, the rather delicate looks of the children in a boarding-school which a German pupil of mine has set up in Baden spoke still of war privations. I believe that for all classes other than the food-producers it is difficult to get enough good and varied food : the poor cannot afford it, and there is not enough to go round among those who can afford to pay. Milk is a rarity, and butter, for instance, rose suddenly to the prohibitive price of 70 or 80 marks per lb. while I was in Berlin. In the excellent hotel I stayed in at Munich, butter appeared only sometimes on the breakfast-table. The working-classes eat scarcely any meat. A curious piece of evidence about German food came to my notice only after I reached home. My ring, which I had left behind because it refused to go on my finger, slipped on very easily at my return. And I had thought I was doing very well in the best hotels during those three weeks !

To return to my fellow-passengers on Ascension Day—their dress, neat and becoming at a cursory glance, scarcely bore close examination : it was full of incongruities ingeniously glozed over, and of piecing together, and of making-the-best-of-things. Those holiday-makers had been at great pains to make themselves look decent. It is a characteristic of the Germans, even the very poorest of them, to make a brave show on holidays and family “Festtage,” though for ordinary occasions they may have practically nothing to wear.

Those train-loads of trippers resembled many other aspects of Germany to-day : they seemed, at first sight, to be “all right,” and yet they felt unreal. Germany, as I have said before, is a great spectacle, but a spectacle full of strain and unnatural effort. She has made a wonderful

recovery from a war which sapped her strength to its foundations. This recovery, however, is less satisfactory than it looks. In certain respects it is a *tour de force*, an effort of will rather than of strength. It is maintained at the cost of a nervous strain which seems to me to exceed the capacity of convalescence. The convalescent may pull through, or crumble again in sudden collapse, as during the period immediately before the Armistice. The chances, in my opinion, are in favour of the convalescent.

But my strongest impression, first and last, has been that Germany is under a dangerous nervous strain. In the next chapter I shall try to indicate some of the embarrassments that have brought about her nervousness.

CHAPTER IV.

THE COST OF LIVING.

THE present condition of Germany bears an analogy to that of England in 1920. In this country business was then active, prices and wages were high and tended to rise, and employment was good. By November, 1920, the cost of living had reached its maximum of 176 per cent. over the figures for 1914. The nation's health had not yet recovered from the strain and the privations of war ; the social ferment which the upheaval of the war brought was still strong and general. But the analogy is not complete. The conditions in Germany at the Armistice had departed far more widely from the normal than had conditions in this country. For us, therefore, recovery was easier—even though in the process of recovery unemployment has risen very high—nor have we had to face the problems of peace as a defeated people or to contend against the handicaps which the Versailles Treaty imposed on Germany.

The cost of living has risen tremendously in Germany and it continues to rise. The head of the Prussian Government in a speech delivered before the mark fell from about 1,200 to between 3,000 and 4,000, gave the following figures regarding the rise :

Official's Salaries are from 7 to 28 times the pre-war amounts.

Workmen's Wages on the average 25 times the pre-war amounts.

Food Prices from 60 to 70 times the pre-war amounts.

Clothing Prices from 80 to 100 times the pre-war amounts.

By comparison with these rises our cost-of-living maximum, viz., 176 per cent. over 1914, is almost normal. Nor have the immense German rises been spread equally over the whole period since 1914. The rise has been extremely rapid during the last year and a-half. In October, 1921, the cost of living was roughly 15 times the pre-war figure. Six months later it was 30 times. It had doubled again by the time I went to Germany, and it is now rising faster than ever.

It is self-evident that the rapid rise in the cost of living must have caused extreme embarrassment to all classes of society, for all have had to try to readjust their conditions of work to the new scales of prices, and have had to endure vexation and strain, and, most of them, ill-success in the attempt. The years 1919 and 1920 taught us how much the peace and stability of social life depend on the stability of money values. The effects of instability in these values can be studied in Germany to-day in far more extreme and demoralising forms.

THE TRUTH ABOUT THE WORKERS.

The working classes have struggled continuously for increases of wages, and not without success. But these increases have been belated and inadequate, though changes of rates are made in many trades from month to month, and in some even oftener. In the Berlin wood

industry, for instance, the following hourly rates of wages were arranged for May and June last :—

		May 1-15 Marks,	May 16-31 Marks,	June 1-15 Marks,	June 16-30 Marks,
Men :					
Skilled	..	24.15	25.50	26.50	28
Helpers	..	20.60	21.80	22.65	23.90
Women :					
Skilled	..	15.95	16.85	17.50	18.50
Helpers	..	13.15	13.90	14.40	15.20

Of the wage-earning classes the least skilled have obtained the best advances relatively. At the present time unskilled labour may be faring slightly better here and there than before the war, but more because unemployment is very small than because wages have risen proportionately to the rise in the cost of living.

In a period of rising prices the rise in wages is always in arrears, but least in arrears, as a rule, for the lowest paid workers, who at all times stand dangerously close to the subsistence level. Of the skilled grades it is enough to say that while they have had advances they have lost in great measure their margin of advantage over the unskilled.

GERMANY'S "NEW POOR."

The middle classes have had to submit to a relatively greater flattening of incomes. There are several reasons for this. The middle classes possess no instrument comparable with the trade unions for the re-adjustment of incomes upon changes in conditions : they are, too, less ready to press their claims. The very diffusion of education in Germany has weakened the middle classes

economically by increasing their numbers. Legislation, moreover, has damaged them ; the severe restriction of increases in rent, for example, has practically ruined those owners of house properties who depended on their rents for a living. The decline of the mark has reduced very greatly the value of investments. The income in marks that formerly sufficed for a year now suffices for less than a week. I have been told—though I cannot quote statistics on the matter—that among oldish and comparatively helpless people of slender means suicide is not uncommon.

The great class of officials, which by general admission is seriously underpaid, is debarred by its poverty from sharing in those elements of culture of which it used to be the mainstay. Books, travel, theatres, even modest hospitalities, are out of their reach. They cannot afford to give their children the same education as they themselves received.

The following figures were given me by the persons concerned. A professor, in receipt of 10,000m. (£500) a year before the war receives now about 60,000m. He happened in conversation to date a certain event as having occurred "in the year in which I bought my new suit." The suit was far from new ; a new one would have cost a tenth part of his income.

The income of another professor had risen from 10,000m. to 120,000m., while his typist's salary had risen from 1,200m. to 30,000m.

A Munich lady had had to quadruple her cook's wages in a year. In very many middle-class houses there are no longer any servants ; and the lot of the housewives, overworked at home and severely taxed to find supplies

for daily use, and the money to pay for them, contributes to the malaise of German life. The impoverishment of the middle-classes can be studied advantageously in the universities, for most of the students come from middle-class homes.

CAP AND—OVERALLS.

The Arbeitsamt der Studentenschaft (Students' Labour Bureau) is a familiar feature of university life : it obtains work, manual or mental, in term or in vacation, for the "Werkstudenten," who must earn their way concurrently with study. The "Werkstudenten" number about a fifth of the total number of students. These men and woman are often students in a merely nominal sense. Estimates have been published regarding the students in Berlin University as follows :—20 per cent. matriculated but not actively studying, having to earn their living : 30 per cent. combining study with earning part-time : 30 per cent. earning something by teaching, translating, etc. : the rest are free to devote themselves wholly to study.

I visited a students' soup-kitchen in Berlin where the "assisted" mid-day meal consisted of two platefuls of thick pea-soup at 4 marks. Assistance in various forms is given to the needy, the chief agency being the Europäische Studentenhilfe. This organisation, which is mainly American, obtains its funds by the voluntary subscriptions of students all over the world. It has helped substantially, as by capital grants, towards setting up a promising system of co-operative stores for the supply of all students' requisites. The embarrassments of the students, which increase as prices rise, illustrate, as I have said, the plight

of the middle classes, but also their tenacity and power of sacrifice in pursuit of education.

THE MENACE OF THE MARK.

The business community, and especially the manufacturing section of it, has been able, like the working-classes, to adjust its position to the rise of prices. There are plenty of "profiteers" in Germany, some of them big people, but many of them small. Both sorts can be seen and heard in the theatres, except when they are crowded out by the "Valuta-fremden"—foreigners attracted to Germany by the advantage of the exchange. These "profiteers" are simply the new rich. They are still rich, because the slump has not yet come in Germany. Some of them spend their money ostentatiously, and in a sense all of them are gamblers, for the value of the mark declines so rapidly that there is a premium on spending. They buy things, any and all kinds of things, and foreign moneys, in order to get rid of their marks. It is perfectly natural that they should seek to hold only world-money rather than their own crazy currency.

The fall in the international value of the mark has assisted the manufacturers in the sense that they have usually got the benefit of the fall in their order prices some little time before they have had to concede the corresponding increases in wages. Many foreigners, upon a cursory view of these facts, anticipate the gravest dangers to the trade and manufacture of outside nations, such as our own. These dangers, however, may easily be exaggerated. The following figures of German exports are taken from the "Report on the Economic and Financial Conditions in Germany to March, 1922," by Mr. J. W. F.

Thelwall, Commercial Secretary to H.M. Embassy, Berlin (page 32) :—

Export in metric tons.

1913..	..	..	..	73,713,532.
1920..	..	..	..	19,809,608.
1921 (Eight months)	..			13,720,989.

Reparations deliveries in kind are excluded. The last figure would represent for the whole of 1921, upon a proportional calculation, a total of 20,581,483 tons, which exceeds slightly the figure for 1920, but is little above a quarter of the figure for 1913. (Mr. Thelwall's Report is invaluable for the study of German conditions.)

INDUSTRIES IN PERIL.

The Germans themselves consider that their advantage in foreign trade through currency and other causes is dwindling rapidly. The following comments on the economic position of Germany in the middle of June are taken from an official publication. *Das Reichsarbeitsblatt* (Imperial Labour Gazette) : " In the world market the the competition of German industry meets with ever greater and more insuperable difficulties, and therewith the basis grows ever smaller and more unsteady on which German industry, driven to buy its raw material from abroad, can hope to make a stand against the further collapse of the Exchange. A great falling-off in foreign orders has set in in April and May ; reports come in greater and greater numbers from West and South Germany of the successful invasion of our home market by foreigners. England, France, Belgium, Switzerland, and Holland have managed to underbid German industry in the home market, not only in coal, but in iron, textiles, and glasswares, and that

at a time when the continual decline in the purchasing-power of large numbers of Germans endangers the home outlet for our own goods. The former difference between the internal and the foreign value of the mark decreased rapidly during April and May—according to official statistics the cost of food, housing, heating, and lighting, rose 9 per cent. in May—and already the first results of the reduced purchasing power of working-class incomes are visible in the labour market. The figures for the various Federal States show an increased number of women seeking work and particularly of married women.”

Not long ago it was a common complaint among business men that they lost many orders through the uncertainties of production : they could not promise deliveries by fixed dates, owing to pervading labour troubles, nor at fixed prices, for that reason and others. Similar or greater uncertainties confront German business men at the present time. They are obliged to guard themselves in some trades by clauses in their contracts permitting additions to prices on the ground of increases of wages.

WHO SHALL BE THE SCAPEGOAT ?

The following quotation from an article on Textiles in the “ Berliner Tageblatt ” (June 11th) is significant : “ If some large spinners, whose credit is above question, intimated at the beginning of March to their old and faithful customers that they would only make contracts on the basis of an immediate payment of 25 per cent. of the total amount, this can only bring irritation into the wholesale trade. If the industry will only accept new orders in which the wages-clause is unlimited, it puts difficulties in the way of the wholesaler and entails losses for him, in certain circumstances, which he cannot bear.”

The risks of trade under present conditions for manufacturers, wholesalers and retailers are obvious and very serious for all of them, and naturally each party wishes to pass on the risks to the others. These risks include action taken by foreign governments which consider their own industries to be endangered by cheap German imports. The policy of England in this matter is feared in Germany. Switzerland has applied severe measures of exclusion. On June 1st the Spanish Government brought into operation new regulations against German goods. The neutral powers in general are disturbed about German imports, more disturbed than they need be in view of the total figures of German trade which I have quoted from Mr. Thelwall's report. Those figures prove the reality of the handicaps from which German manufacture and export suffer.

Germany is still the victim of a vicious circle of which England has had painful experience—the infinite series of counterbalancing rises in prices and wages which lead at no point to a stable balance. The German wheel is of unheard-of size and speed. The embarrassments and anxieties which its headlong revolutions diffuse are far greater than those which England had to endure between 1914 and 1921. Not that its influence has been entirely bad. Employers and workmen have had a lesson in the methodical variation of wage rates to suit changing conditions. If they apply this lesson when the wheel slows down and depression sets in, great will be their gain.

THE DREAD OF UNEMPLOYMENT.

In the meantime all classes suffer from the phenomenal rise in prices, and, in particular, large sections of the middle classes are sinking into the proletariat. Every class looks

forward to a check in commercial activity as almost certain. Germany dreads especially such a wave of unemployment as has surged over our industrial districts. As prices rise the clamour against profiteering increases, and demands are made on behalf of the poorer classes for Government control and Government provision of the necessaries of life. Not long ago the Government of Saxony addressed a long memorandum to the Imperial Government upon the problem of prices, and especially food prices. Saxony is mainly industrial, and has a Socialist Cabinet. The Imperial Government itself was then discussing a proposal to "assess" 2,500,000 tons of cereals on the farmers at low prices for the provision of cheap food for the masses. The proposal came within sight of wrecking the Coalition Government. The quarrel over this proposal which was solved abruptly in favour of the towns by the political feeling aroused by the murder of Rathenau, was an epitome of present-day Germany. The new Constitution is not as yet strongly rooted, the Government is weak, the parties are learning under difficult circumstances the needful lessons of political co-operation, and the food question, dividing town from country with all the emphasis of mounting prices and a real threat of privations, endangers the Government's existence.

CHAPTER V.

THE COST OF LIVING—*continued.*

LET those who wish to understand the present state of Germany recall the time, not long past, when prices were high in this country and stocks short, and the air rang with clamour against "profiteers." In Germany prices have risen much faster and farther than they did in this country in the first two years after the armistice. Germany is living through an orgy of accusation and counter-accusation, and rancour spreads between classes. It is the natural tendency of mankind to put down high prices to plotting and greed rather than to objective causes. Once prices rise above the normal level, whether by expansion of demand or shortage of supply, or both, their movement is apt to be disproportionate to the causes which have brought it about.

Some Germans, though a small part of the nation, have a good deal of money to spend, and money, too, that keeps badly ; and to them must be added the swarm of foreigners whom advantage in the exchanges has brought to Germany for holidays or residence. On the other hand, Germany is short of many commodities, and especially of foodstuffs. Thus the towns accuse the farmers of "profiteering." There is no doubt that the farmers did well during the war, as our own did. A considerable proportion of them,

being owners of their farms, may be in a position to take things easily for a year or two. They are incensed, besides, at the continuance of Government control over agriculture, and in particular at the Government's heavy requisition of cereals from the coming harvest at a low price in order to keep down the price of the loaf.

The farmers work under serious difficulties. Before the war, much of the work was done by cheap seasonal labour drawn mostly from Poland. This cheap labour is no longer available on the old scale, nor is the dearer German labour available, since employment is good in the towns. Even if town-dwellers desired to return to the land, the shortage of rural housing would bar their way. The labour market is in favour of the farm-workers, to whom the spread of trade-unionism gives additional strength. I take the following figures regarding the activities of trade unions among land workers during 1921 from the Berlin "Vorwaerts":—

			Wages agreements made.		Wages agitations.		Strikes.
Agricultural	..	..	148	..	640	..	75
Forestry	..	..	98	..	28	..	4
Vineyard workers	..	..	17	..	205	..	4
Milkers	..	..	13	..	24	..	—
Peat Cutters	..	..	11	..	22	..	4

Among the other difficulties of the farmers are the reduction in the number of milch cows and the shortage of artificial feeding stuffs and manures. The deliveries of milch cows to the Allies are partly the cause of the present scarcity of milk and butter, and of the special provisions

which have been made for the distribution of milk to infants and nursing mothers.

AGRICULTURAL REPRISALS ?

The farmers, obliged to supply the Government with cheap grain for the towns, complain that the towns charge very high prices for machinery, artificial manures, and feeding stuffs. Some responsible spokesmen of agriculture even demand, as reprisals, that the industrials should be required to furnish the State with several hours of labour weekly, which might be just, but would scarcely be convenient. The recent increase of 25 per cent. in railway charges for goods will raise the price of food still higher.

The position would be less formidable than it is were not Germany obliged to buy food abroad with a currency that declines rapidly in value. The necessity for such purchases arises from the severe drop in the total home production of foodstuffs. I have been told that the total production in 1921 was only two-thirds of the production in 1913.

The total population of Germany has decreased between 1913 and 1921 by rather less than 10 per cent.—1913, 69 millions ; 1921, 62.5 millions. It must be remembered that the Treaty of Versailles took from Germany some of the best potato-growing land, viz., in West Prussen. It is not only that some of the ground available for potato-growing is now beyond the frontier ; the yield per hectare has fallen substantially, and the fall has been more serious than the fall in other home-grown foods owing to the dependence of vast numbers of Germans on potatoes.

Here are the comparative figures of the yields of the chief crops for 1913 and 1921 :—

		Double centners per hectare.	
		1913.	1921.
Winter Wheat	.. ..	24.1	20.6
Summer Wheat	.. ..	24.0	18.6
Winter Rye	.. ..	19.4	16.0
Summer Rye	.. ..	13.5	10.8
Barley	.. ..	22.0	17.1
Oats	.. ..	22.0	15.8
Potatoes	.. ..	157.1	98.8
Clover	.. ..	56.3	35.7

These falls in yield are very serious, to say the least of it, for a nation which, through the decline of the mark, is at a great disadvantage in buying goods abroad.

The end of June brought a meat crisis in Berlin and other big towns. The prices soared away up beyond the reach of the masses. Some blame the farmers, and some the middlemen. The farmers may be holding back stock because natural feeding is plentiful and cheap and the middlemen may be multiplying intermediate transactions, but the root of the trouble can only be shortage. The butchers' shops certainly became very idle. Here are some comments by butchers in poor quarters printed in the Berlin "Vorwaerts" :—

"Three or four weeks ago there would be ten women coming into my shop for one now. . . ."

"The women who up to now bought meat, now buy bones for soup. I could have sold tons of bones these last few days. Only the cheapest sausages are asked for and in very small quantities. . . ."

“ For the last year the falling off in the consumption of meat as compared with pre-war is about a half. Now it is 80 per cent. or 90 per cent. My customers are not boycotting me on purpose : I know them too well for that. They simply can't pay. . . . ”

MEAT CONSUMPTION DECLINING.

Frozen meat is on the market at comparatively low prices, but there is considerable prejudice against it. As the prejudice is dispelled, the price will rise. But solid evidence can be adduced than that of a butcher who may have over-bought. I quote below the figures of the consumption of meat in Prussia for the years 1913 and 1921 :—

		Consumption of Home-Slaughtered Meat in Million Kilogrammes.			
		1913.		1921.	
Cattle	.. ..	462	.. ..	329	
Calves	.. ..	76	.. ..	58	
Sheep	.. ..	29	.. ..	28	
Swine	.. ..	1,125	.. ..	613	
		<hr/>		<hr/>	
Totals	.. ..	1,692		1,028	

The consumption of meat, to put it roughly, declined in 1921 to 60 per cent. of the 1913 figure. If the above figures for Prussia are applied proportionately to the whole of Germany, and the quota of imported flesh food added in, the total consumption per person fell from 49.36 kilog. in 1913 to 33.48 kilog. in 1921—a reduction from 100 per cent. to 67.83 per cent. When allowance is made for the amount slaughtered at home by food producers in the country, it is probable that the consumption in the towns

is well under 60 per cent. of the consumption for 1913. This can scarcely be a good thing for a country where the conditions of life for the masses have always been hard.

Most parts of Germany, town and country alike, are afflicted by an acute housing famine—and by Housing Authorities set up to remedy the evil. These Authorities possess remarkable powers of quartering tenants in “surplus” rooms, of dividing up flats and houses, of turning rooms into kitchens, building partitions, staircases and chimneys. With the consent of owners they may add stories. But it is the things they may do without consent that have won them their remarkable unpopularity. Charges of corruption are levelled against them very freely. The inherent difficulties in regard to housing and the efforts to overcome them by drastic interference with owners and tenants of houses are the double cause of a great amount of chronic annoyance and friction. The difficulty of finding house room is held to have affected adversely the marriage-rate and the birth-rate.

BACK TO THE FATHERLAND!

It must be remembered that the troops in the occupied areas have requisitioned accommodation very freely. The French appear to take what they wish, with little or no regard to the general congestion, and they are also building new barracks on a considerable scale at the expense of the German Government. From regions such as Alsace and Lorraine, that were alienated from Germany by the Treaty of Versailles, large numbers of dispossessed persons have streamed back, only to increase the crowding within

the narrower frontiers. The officials from these regions, it need hardly be said, have come back, and are now a burden on the German Government. And during and since the war Germans have been trekking back to the Fatherland, some willingly and other less willingly, in considerable numbers from all parts of the world.

SOMBRE PROSPECTS.

I shall give one instance of this large class. Sitting at midday under the trees in Unter den Linden, the chief street of Berlin, I fell into conversation with a stranger of a detached air. He was a German, towards fifty, but had spent most of his life in Australia, Canada, and the United States. When war broke out he was well-established in a publicity business in the States. At the entry of the States into the War he was interned. His wife, an American, divorced him during his internment, and disappeared with the child. His property was sequestered by the United States Government, and had not yet been returned to him. His business, of course, had gone. He was hoping to return to America before long to claim his property : but his outlook was not exactly happy. And he is one of many.

With a population of $62\frac{1}{2}$ millions, Germany is still a large and powerful nation. These millions of men and women are the victims, as it seems to me, of strain and deprivation, and the circumstances of many of them come near despair. There is much anxiety on all sides, and misadjustment and uncertainty. Of all their troubles uncertainty is perhaps the greatest.

✓ The greatest anxiety is political. They do not know what the French, whose Army makes them supreme in Europe, will do next, nor do they know whether England and the States will lay a moderating hand on the shoulders of the French, or take up in earnest the burden of peace-making in Europe.

Meantime, the weeks pass, and the mark behaves as did the Austrian crown a year ago, and the case of Germany, determined to save her Republic and her new and comparatively free constitution, is urgent.



THE COST OF LIVING—*continued.*

IT is difficult for an outsider to keep up with the kaleidoscope of German affairs : the changes are so general and so rapid, and the anomalies which they occasion so disconcerting. For the Germans themselves the great problem—and a very urgent problem it is—is to secure an adjustment of income and expenditure to the rapidly changing prices. Each step in this adjustment is difficult, and only leads on to another which can be no easier, while the whole movement appears to head for the brink of a precipice.

The rise in prices is due, of course, to shortage of home supplies and the very high cost of imports owing to the depreciation of the mark. The depreciation in turn is due to the earmarking of part of the products of German industry for the reconstruction of the devastated areas, and on the other hand to the payments in cash which the German Government has had to make to the Allies: It has made these payments by buying foreign "paper" from German exporters and paying the exporters in new German paper money, being without real funds for the purpose.

The failure of the project of a great foreign loan for Germany drove down the value of the mark immediately from about 1,200 to the £ sterling to close on 2,000, while the fall thus begun has proceeded much farther since then. After the relative stability in exchange which the mark enjoyed for several weeks prices in Germany are now

mounting in a new cycle of changes. No one can really say what the value of the mark is, for the causes that affect it are not only commercial, financial and speculative in the narrower sense, but also political, and the political influences intensify the speculative element. The vagaries of the unsteady mark may be taken as a measure of the ferment of world-opinion upon two things, the facts of Germany's present position and her chances of having her social and economic development freed, for a time at least, from handicaps which appear to be too heavy.

Here are the figures of the movements of wholesale prices for the month of June, 1922 :

Rose from—

Cereals	..	58	times to	62½	times	pre-war	price
Potatoes	..	58	„	62½	„	„	„
Fat	..	51½	„	66	„	„	„
Sugar	..	51½	„	66	„	„	„
Meat	..	51½	„	66	„	„	„
Fish		51½	„	66	„	„	„
Colonial							
wares	..	86	„	92½	„	„	„
Hides and							
leather	..	70½	„	80	„	„	„
Textile	..	106½	„	118½	„	„	„
Metals	..	65	„	72	„	„	„
Coal & Iron		70½	„	74½	„	„	„

The average rise was from 64.6 times to 70.3 times the pre-war prices. For home products, such as cereals, potatoes, fat, sugar, meat, fish, and for coal and iron the rise was from 60.3 to 65.4 times the pre-war prices, while for goods mostly imported the rise was from 86.2 times to 94.8 times.

The biggest increase for the month was shown by the group of foodstuffs, viz., from $51\frac{1}{2}$ to 66, which is a rise of fully 28 per cent. (1)

One result of these rises is a general wages crisis, which became peculiarly threatening, for example, in the Ruhr coalfields. With a 28 per cent. rise in food prices in one month most people have very little left after paying the grocer and the butcher. A Hamburg professor has published an analysis of the monthly expenditure of a typical middle-class family of four, two parents and two young children, which is worth quoting :—

				Cost in Marks	
				in one	in June,
				month, 1914.	1922.
Food	...	...	...	78.27	4342.78
Clothing	...	...	...	24.78	1853.33
Laundry	...	...	...	10	200
Soap	...	...	...	2	30
Books, Papers, etc.	...	...	...	8	250
Concerts, Theatres, and Holidays	...	...	...	10	200
Tobacco and Alcohol	...	...	...	6	200
Medical Expenses	...	...	...	5	150
Income Tax (on pre-war 3,000M. now on 50,000M.)	...	...	...	6	271
Fares	...	...	...	6	150
Sundry (breakages and other domestic matters)	...	...	...	10	500
House Rent (4 rooms)	...	...	...	60	240
Heating	...	...	...	10	600
Light	...	...	...	3	150
				239.05	9137.11

(1) During July the index figure for wholesale prices rose from 70.30 times the pre-war prices to 99.57 times, which is a rise of 41.6 per cent. For goods mainly imported the rise was from 94.8 times to 138.5 times the pre-war prices, while inland goods rose from 65.4 times to 91.7 times. In the foodstuffs group the rise was from 66 times to 93 times.

The chief points are the high rises in clothing (about 74 times pre-war) and food (about 55 times) and the comparatively small rise in rent (4 times). The restriction of rents by law may have been necessary and indeed is so to-day, but the relief has been given at the expense not of the State, but of the house-owners. Perhaps the chief point in the table is that while, upon a yearly income of 3,000 marks, a monthly expenditure of 239 marks leaves a balance—though a balance over which only Mr. Micawber could rejoice—a monthly expenditure of 9,137 marks on an annual income of 50,000 marks would leave even Mr. Micawber gasping at the end of the year.

The middle-class father in the case has managed to increase his income nearly 17 times, which is a remarkable achievement for him. If he had been a workman he might have got it raised to 30 times or even more, and have saved himself and his dependents from a serious fall in their standard of living. The professor, making his calculations for June as if there were to be no retrenchment in living, provides for an expenditure of 109,644 marks out of the 50,000 marks income of this pater-familias whose pre-war income was £150 a year.

WHERE THE SHOE PINCHES.

It is also to be noted that food, which cost just less than one-third of the total income in 1914, now costs almost a half of the gross figures, which are more than double the available income. The standard of living will have to go down by a half—i.e., from 109,000 to 50,000 marks. This is not really very bad. There are multitudes of harder cases, for a pre-war income of £150 a year was not

much above a working man's pay. Further up the middle-class scale the fall has been, of course, more severe and the flattening out of society more striking.

It is not easy to see how to make the needful economies in the above list. Books and concerts will go, of course, and alcohol. As for holidays, the resorts are full of foreigners who pay very high prices and drive away the Germans. And money can be saved on heating, by those who are prepared to crowd together in small space and eat cold food and go to bed early—an aspect of life which can be studied amusingly in the comic papers, but is very serious all the same. Medical expenses cannot be saved. The two children are almost certain to be stunted and delicate. Children coming to school for the first time a six are examined by doctors who are finding the standard of size and health much below 1914. Here are some items from medical reports :—

“ Almost all of the (communal authorities) report more sending back than last year, principally because of nervousness, which often shows itself in the form of deficiencies of speech . . . ”

“ Several doctors, have had the impression of examining, not six-year-olds, but four-year-olds. . . . ”

“ One community reports a loss of 2 lbs. in weight and 2 to 3 centimetres in height compared with 1915-1916. Cologne reports a loss of 4 lbs. in three-quarters of the children. . . . ”

The teachers' reports generally corroborate those of the doctors. Here are some items :—

“ Besides the bodily weakness they (the teachers) constantly deplore the want of receptivity and perseverance. . . . ”

“ The mental qualities are equally backward. A strong nervousness shows often during the first lessons, changing rapidly into mental and physical fatigue. . . .”

At the present time the big Berlin stores are selling off at low rates in order to make room for new stock. The new stock will have to be sold at several times the price of the old. Old stock costumes, for instance, to be sold at three or four thousand marks will cost the stores as much as 14,000 marks to replace. The profiteering laws interfere with the levelling up in price of old and new stock. The storekeepers on the one side must find ready cash, while buyers who have money in hand prefer to turn their money into goods and save buying later at still higher prices.

Most of the buying, however, is done by the farming class and by foreigners : while, according to the report, “ the middle class is scarcely to be seen.”

CHAPTER VII.

THE RECENT COAL CRISIS.

GERMANY lives in an atmosphere of crisis. It is not that one crisis succeeds another. Germany's misfortune is to be living through a period of all-round crisis, in which now one element takes on a special urgency and again another.

In the coal crisis the most acute phase is past, though the serious and deep causes remain. The threatened strike among the miners of the Ruhr has been averted by an agreement between the parties. The other question, viz. : whether Germany's monthly contribution of coal to the Allies under the Treaty of Versailles ought not to be reduced, is still unsettled.

How much was at stake in the threatened strike may be understood from the fact that the Imperial Minister for Labour, Dr. Brauns, and other Ministers concerned journeyed to the West to assist in the negotiations. Production had fallen off seriously. The daily output for recent months is as follows :—

				Tons.
March..	..	..	..	332,000
April ..	..	..	..	322,000
May ..	..	..	..	314,000
June ..	..	..	..	297,000

Several causes combined to bring about this great drop of 10 per cent. Labour is short, many miners having

drifted away to other industries, and particularly to building. Dissatisfaction with wage-rates has reduced the will-to-work : though a rise came into force on July 1st prices have been rising so rapidly that only very frequent and substantial rises in wages can save workpeople from a decline in purchasing power. There had been delay in setting up Works Committees (Betriebsraete) in the mines.

The mine-owners appear, too, to have been holding a considerable amount of wages "in hand." The delay in payment and the precise manner of payment would probably not have excited much controversy but for the unsteadiness of the mark. Much of the unrest, moreover, has been political. The noisy and threatening utterances of reactionaries and the suspicion of plotting against the Republic had created considerable alarm among the working classes, and the murder of Rathenau at once embittered the industrial position. The employers' party, the Volkspartei, condemned the propaganda and the murder in very emphatic terms, and gave the Government good support in passing its special repressive legislation in defence of the Republic.

COMMUNISM'S CITADELS.

The Communists, as is their cheerful habit, took advantage of the situation to try to inflame feeling and to preach a general strike, well knowing that such a strike must have disastrous results both for industry and politics at a time when the stocks in hand are very short, and the general tension distressingly severe. It would be a mistake to underrate the power of the Communists. The murderers of Rathenau played into the hands of the

Extreme Left, which has shown itself thoroughly capable of exploiting the constitutional opportunity which the murder created. The chief seats of Communist agitation and power are Saxony and industrial middle Germany, Berlin, and the big seaports in the north. In Berlin, for instance, the results of the Works Committees' elections which are complete for only 31,000 out of 37,000 seats, show that the Communists now hold 11,000 seats against 6,000 last year.

Political embitterment has entered into another serious strike, that of the book-printers. But Germany can spare print at present much more easily than coal. The new frontier in Upper Silesia has deprived her of 77 per cent. of her old coal production in that region, an amount equal to 20 per cent. of her former total output. This 20 per cent. loss, plus the loss of 10 per cent. in output in her chief remaining coalfield, the Ruhr, entitles Germany—thus the Germans reckon—to a reduction of a third in the monthly tribute of coal, viz., 1,916,000 tons, which she is obliged to deliver to the Allies. The demand for reduction raises several important questions. It is not certain for instance, that the 10 per cent. shortage in output in the Ruhr need be permanent.

The new agreement is very favourable to the miners, though the question of adding some hours of overtime weekly to the seven-hour day will continue to cause controversy. As regards stocks, it is reported for instance that gasworks and railways have very small margins, some gasworks having only enough for a few days ahead, e.g., Mannheim (2 days), Nürnberg ($3\frac{1}{2}$ days), Dresden (5 days), Leipzig (6 days), while the gasworks on the coast use only foreign coal.

“GIVE US ENGLISH COAL.”

The importation of foreign coal, mostly English, amounted in June to 1,200,000 tons against 750,000 tons monthly pre-war. Foreign coal is able to compete with German because it is free from the very heavy coal-tax. By a recent decision this exemption has been extended to March, 1923.

The great works in the West, e.g., Krupp, Thyssen, Stinnes, are said to be importing English coal in large quantities, while it is also said that the Belgians are sending in coke made from Treaty deliveries of German coking coal. Meanwhile, the housewives find it hard to get fuel for cooking and heating. The housewives, by the way, have to pay heavily for sewing-cotton. Here are the recent changes in the price of the 1,000-metre reel of four-ply thread :—

	Marks.
6th June	42
19th June	46
26th June	50
3rd July	54
19th July	79
31st July	84

Thus in two months prices have doubled.

The rise in the price of coke which is used in central heating and hot water systems has become so great that many tenants can no longer afford the inclusive charges for these things in the comparatively well-appointed blocks of flats in which so many German townspeople live. There are no empty dwellings of a suitable kind for the distressed tenants to move into. Exchange of apartments, i.e., from central heating flats into flats provided with

stoves is theoretically possible, but in practice very difficult. It is a pretty problem to know what to do next when the participants in a modern venture like a block of well-equipped flats can neither afford any longer the comforts of the system nor move elsewhere. But I need not dwell on the details of the coal question. The monthly production of coal in Germany is down by 3,325,000 tons, and this drop is bound to have awkward results in many directions.

REBELS IN THE RUHR.

On the industrial side the Ruhr trouble is instructive. The Communists, as I have said, sought to inflame and extend the feeling for a strike. Even the official organ of Socialism, the Berlin "Vorwaerts," used fairly menacing language, while admitting that the miners were not united. The "Free Trade Unions" favoured drastic steps, but the "Christian Trade Unions" and the Polish organisations believed that an improvement in the miners' conditions could be won peacefully, and the event has proved them right.

The leader of the Federation of Christian Unions, Herr Stegerwald, one of Germany's few statesmen, in a remarkable speech delivered at Essen, brought Christian principles to bear on the trouble with a very steady effect. The "Christian Trade Unions," which now include 20 to 25 per cent. of the total trade-union membership of Germany, were founded by the Catholic Church in the definite hope of counteracting the class-warfare basis on which the "Free Trade Unions" stood. The latter owe much to Marx and to political Socialism. In this country the development has been the contrary: the Socialist movement in politics has sprung from trade unionism. When

the military collapse in 1918 brought Germany close to utter disorganisation, she was saved only by co-operation between employers and workpeople—Rathenau and Stinnes representing one side, and Legien and Stegerwald the other. As regards the trade unions, numbers were on Legien's side, but the right principles and spirit on Stegerwald's, and since the Armistice it is of necessity the humane and conciliative principles of the "Christian Trade Unions" that have predominated.

CLASS WARFARE.

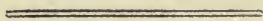
Two months ago Stinnes launched a big ship, to which the name "Karl Legien" was given, the President of the Republic being present at the launch and delivering the oration, which he devoted mainly to the spirit and success of Legien's work for Germany at the Armistice crisis.

Stegerwald's Federation runs a daily paper which is well-written and well-informed, besides other periodicals of a more educative and ambitious kind. It has opened in Berlin a Workmen's College, which is as unlike some of the workmen's colleges which have been set up in this country as could be imagined. The institution by law of Works Committees and the prospect of the entry of workmen's representatives into Boards of Directors, have inspired an attempt to educate picked workmen in specific technical ways for sharing in these new responsibilities. The baleful enthusiasms of class-warfare do not really fit workmen for a share in "control." Only mental preparation and serious study of business facts and actualities and a helpful spirit can make men useful in this new form of work. This truth Stegerwald's organisations have grasped and in their Berlin School and in similar schools

elsewhere they are doing their best to prepare their students for new responsibilities and in the only method and spirit that can promise success.

While in Cologne on Whit-Sunday I had the opportunity of seeing good evidence of the life and force in the "Christian Trade Union" movement. An international congress of these unions, in which 20,000 representatives took part, spent the Whit-Sunday week-end in Cologne, being preached to by the Archbishop in the Cathedral and addressed on social and industrial topics by distinguished speakers, and accorded receptions and entertainments of the usual sort. Their formal procession through the streets took an hour to pass. The variety of silken banners, German, Swiss, Dutch, etc., made it a great sight. In Cologne is the statue of Father Kolping, a priest of the Cathedral, who had the chief part in founding the movement, and on Whit-Sunday it was beflowered with wreaths of remembrance.

There is no doubt at all that the enterprise and the methodical courage of the Roman Church in industrial matters has been to the advantage of Germany and has influenced the working-class movement for good.



CHAPTER VIII.

CAN GERMANY PAY?

THERE are many who expect visitors to Germany to bring back a "Yes" or "No" answer to the question: "Can Germany pay?" If you ask "Pay what?", they reply, "The amount set down in the Treaty, of course." They have not read the Treaty. Here is the situation:—By article 233 of the Treaty of Versailles the findings of the Reparation Commission as to the amount of damage had to be concluded and notified to the German Government on or before 1st May, 1921, as representing the extent of that Government's obligations. By decision of the Commission on 30th April, 1921, the amount of damage was fixed at 132 milliard (132,000,000,000) gold marks.

Next, the decision of the Supreme Council sitting in London took the shape (5th May, 1921), of an ultimatum to Germany, whereby she had to accept the Schedule of Payments, prescribing the time and manner for securing and discharging the entire obligation of Germany for reparations under Articles 231, 232, and 233, of the Treaty. The German Government accepted the ultimatum, at the cost of certain resignations, though it was itself doubtful whether the terms which it accepted could be carried out. A large body of opinion in Germany thought and thinks the policy of "fulfilment" of that which cannot be fulfilled to be both insincere and foolish. The Volkspartei, for instance, took the view that the Government's

action was "not business," and that, if it were politics, then so much the worse for politics. The truth is that the German Government had no option in May, 1921, but to do what it did.

By the Schedule of Payments the Committee of Guarantees was set up. The duty of this Committee is to supervise the details and manner of payment, keeping in very close touch with the German Government, and being itself responsible to the Reparation Commission. By Article 4 of the Schedule, Germany has to pay over a term of years

- (1) a fixed annuity of 2 milliard gold marks, and
- (2) a variable annuity equalling 26 per cent. of the value of her exports during any year. This was assessed at 1.5 milliards per annum.

By Article 7 of the Schedule certain taxes were assigned as security for the payments.

By Article 235 of the Treaty, Germany had to pay during 1919 and 1920, and the first four months of 1921, the equivalent of 20 milliard (20,000,000,000) gold marks. Germany maintained that she paid this amount in one form or another: but the Allied Governments admitted receipt of only eight milliards. In any case the subsequent decision taken in London blotted out these arrears.

REVISION AND SUPERVISION.

Article 235 of the Treaty may therefore be disregarded. I have shown above that the Treaty contemplated continuous supervision of the payment of Reparations, and also, it is fair to add, the adjustment of the manner and details of payments, if not the adjustment of their substance and amount, to the circumstances of Germany. The

question of payment is certainly very complicated. It is not a question of paying or not paying. The real issue is one of the manner, the periods, the conditions, and the amounts of payment, and, further, of the will-to-pay.

In a transaction of this magnitude with a nation of 62½ millions, the dictation of onerous conditions over a long period of years is simply not "business." It may be retribution, of course, and just, and, indeed only a small part of a just retribution. There are wrongs for which the doer of them can never atone, neither by his life nor by his goods. The letting loose of the dogs of war in 1914 was one of these wrongs. But the Allies cannot deal with Germany as if they were God, and this the judgment day. That is not politics. Germany has to be treated as a debtor. The debt involves criminal guilt. But it is not practical to discuss Germany as if she lay in the condemned cell, or even in a debtors' prison. And it is necessary to be practical, that is, to treat her as a going concern.

Many people talk about "making the Germans pay," as if it were a matter of letting loose a horde of emissaries to search pockets and bring away what they could lay hands on. It is the German Government that has to do the paying. That Government, its stability, its good faith, and its power, can alone guarantee any payments whatsoever.

THE GOVERNMENT AS GO-BETWEEN.

This Government, composed of new and inexperienced men, and created by a political revolution, is timid and suspicious and weak. It is supported in Parliament by an ill-cemented Coalition which commands a minority of votes in the House. It has the difficult task of keeping

the Federal States of Germany at one. It has to keep down the reactionaries, and—more difficult than that—to restrain the Extremists of the Left, who are ready to make the most profit they can out of all Germany's troubles, whether caused by internal conditions or by the political and military pressure of the Entente. The German Government has to stand between the Allies and Germany, and neither seem the mere agent of the Allies nor practice duplicity or collusion against them.

The instrument of the German Government for reparations payments is the German system of taxation. Since the Armistice, far-reaching reforms have been made in taxation. The effect of these has been to take from the Federal States, e.g., Bavaria, Saxony, and Baden, and the local authorities, e.g., towns and rural units, the most productive forms of taxation, that is "direct" taxes, and give these to the Empire, though the Empire had to make certain return grants in compensation. The States and the local authorities have been driven to experiment with all sorts of indirect taxation. There is in Germany a tremendous programme of local and central taxation, both "direct" and "indirect." Here are some of the "direct" taxes :—

(a) Ten per cent. on dividends, etc., deducted at source.

(b) Taxes on payment of pre-war foreign debts.

(c) Graduated income tax. Work-people also pay this tax, which is collected through their employers.

(d) Corporation tax ; 20 per cent. on gross income, and a further 15 per cent. on amount appropriated to dividends.

(e) Graduated tax on war-increases of income.

- (f) Graduated tax on war wealth.
- (g) Capital tax.
- (h) Forced Loan (new).
- (i) Graduated estate and legacy duties.

Here are some of the "indirect" Imperial taxes :—

(a) Transaction tax (2 per cent.) ; for luxury articles, 15 per cent.

(b) Capital transaction tax, e.g., : (1) 7 per cent. on capital of a new company, and special taxes on Stock Exchange transactions, and (3) tax on directors of companies.

(c) Taxes on purchase of land, generally 4 per cent., and further taxes on various things, e.g. : Stamps on documents, motors, insurance, lotteries, entertainments, sugar, lighting, matches, coal (30 per cent.), playing cards, tobacco, beer, mineral-waters, wine, brandy.

The Federal States have to rely chiefly on taxes on land, buildings, commercial undertakings, and stamps. (In Prussia, 78 different kinds of documents require to be stamped.) The Local Authorities rely chiefly on the taxes on commercial undertakings, which they exact on a much heavier scale than do the Federal States. The tax is based in many places on (1) takings, (2) area covered by the establishment, and (3) number of hands employed. In one extreme case 200m. per hand was levied, which is 2s. in our money but 200m. for a German. The Local Authorities also tax the increased value of land, entertainments, advertisements, hotels, while some are planning taxes on servants, rents, gardens, taxis (10 per cent. on takings in Berlin). Berlin has a progressive tax on dogs, with a special scale for "luxury-dogs."

TAXED TO LIVE ; TAXED TO DIE.

Berlin is also proposing to charge graduated fees in the elementary schools according to the parents' incomes. The Germans say they can scarcely live for taxes. But some of them can scarcely die : Frankfurt-on-the-Main, for instance, has a burial tax of 15 per cent. of the deceased's last year's income.

Large deficits are the rule in Germany just now. The Federal States and the Local Authorities are in the same plight as the Empire. Thus the Federal State of Württemberg has a deficit, and the City of Berlin is also in difficulties.

Berlin, by the way, happens to possess large estates in its own neighbourhood, some of the land being waste but much of it forest and sewage farms. The bourgeois majority on the City Council has decided to let some of these properties, which, while they remained in the hand of the City, barely made ends meet. These lands as let out to private persons and companies are going to produce large sums for the general purposes of the City, which is good news for all except the socialist doctrinaires, happily a minority, on the Council. Two of these properties have been let out to officials who up to the present time were administering them for the city. As officials they were unable to show a surplus. As lessees they have undertaken to pay heavy rents.

Budgets framed a year ago, whether by the Empire or by the States or by the Local Authorities, would have gone to pieces had there been no adverse influence besides the fall in the value of the mark, for running expenses have grown in proportion as prices rose, while income, settled many months in advance and drawn in considerable

part from "indirect levies," could not expand in a corresponding proportion.

FLYING FROM THE MARK.

Further, the reform of the whole system of taxation which has been carried through since the Armistice has affected the yield of the taxes disastrously. As the system is new and the officials and the public do not as yet understand it thoroughly, the arrears are great; while the officials are less efficient than of old and are not free from charges of corruption. The public tries to evade taxes, as it does in every country. The "Flight from the Mark" makes it difficult in certain matters to trace and tax wealth. No sensible man keeps his resources in marks. It is only natural that German business men who export or import should deal in stable world-currencies, and should hold balances in foreign banks or houses. The pre-war foreign holdings of Germany were drawn on largely during the War for national finance. Much of the property held abroad by private Germans is still sequestered in the hands of the Allied Governments. Meanwhile Germany imports more than she exports, and she is therefore not exactly in a position to accumulate balances abroad, but on the contrary she must cut into whatever balances she holds.

The recent sharp fall in the mark has necessitated a new graduation of the Imperial income tax, which is planned as follows :—

	Per cent.
Up to 100,000m. per annum the tax is ..	10
For the next 50,000	15
„ 50,000	20
„ 50,000	25
„ 150,000	30

					Per cent.
For the next 200,000	..	..	..	..	35
„ 200,000	..	..	..	..	40
„ 200,000	..	..	..	..	45
„ 1,000,000	..	..	..	..	50
„ 1,000,000	..	..	..	..	55
And above	..	..	..	..	60

The legacy duty is graduated according to three principles: (1) relationship, (2) the wealth of the beneficiary, (3) the amount falling to the beneficiary. Here are some examples of what happens under the present scales :—

(a) A son, possessed of 600,000m., who inherits one million marks from his father, pays 303,420m. If he had possessed a million, his tax would have been 335,000m.

(b) A man possessed of 2.4 million marks inherits works of art or a house worth 2 millions. The tax amounts to 2,279,966m., but as the tax is limited to 90 per cent. of the legacy the legatee had to pay “ only ” 1,800,000m.

Germany has certainly elaborated an imposing programme of taxation. But programme is not performance. And the more enterprise and invention a Government shows in taxing, the less pleased are the taxpayers, and the more inclined to evasion. The German programme cannot immediately become fully productive. Germany needs time. The German Government, moreover, is burdened by certain nationalised services, the chief being the railways and the post offices. Neither service has been successful in making ends meet. Costs are high and takings too low. On the one hand a vast multitude of State employees,

strongly organised, for example, in the railway unions, have much influence over the Government in questions of wages and conditions, while on the other the public expects to enjoy state-services at a cheap rate. Since these pages were written the Transport Ministry has come to terms with the railwaymen's organisations upon a new interpretation of the eight-hour day. Railwaymen's time will now be distinguished into three sorts: time spent (1) in actual work will be reckoned towards the day's shift of eight hours at its full duration, while time spent (2) in "standing-by" will be reckoned towards the shift at varying percentages of its duration. Thus for porters, etc., at stations "standing-by" counts as 50% of time, for permanent way men as $33\frac{1}{3}\%$, for locomotive men as 80%. For those periods (3) during which a man may leave his place of work altogether little or nothing is to be paid. The German Government, squeezed between these two pressures, resorted to the method of subsidy. Under contrary pressure from the Allies she is endeavouring now to make these Services self-supporting: but it is far easier to command solvency than to bring it about. The one can be done in a moment. The other involves much methodical adjustment, and also contention with vested interests.

FOOD—THEN REPARATIONS.

Taxes, after all have to be borne by human beings. The working-classes, though employment is good, are suffering from the great and rapid rise of prices. The middle classes are severely embarrassed. The manufacturers and many traders have been doing well but the tax collector's net is closing on them. Business circles complain of scarcity of capital, and of the high cost of raw materials,

especially of those that come from abroad. The yield of agricultural land has fallen seriously, food is very dear and the consumption of meat foods per head is only two-thirds of the 1913 amount. Foodstuffs are perhaps the element of crucial weakness in Germany's balance of trade. Until her home production of food reaches again the pre-war proportions, or nearby, her purchases abroad will be so heavy that there can be little or no balance available for the payment of reparations, and the mark is likely to descend and its descent to be accelerated by all the force that political uncertainty can add to business stringency.

Many foreign critics of Germany think and talk of nothing but her industries. I am inclined, for my part, to think that her agriculture may be the real pivot of her prosperity and solvency. At present Germany must either import great quantities of food or impose on her working-population a reduction in the standard of living. The latter would be nothing new. The pre-war industrial progress of Germany was accomplished, on the whole, at the expense of labour. At the present moment, though there are profiteers in Germany, the industrial masses are pinched. Their food, fuel and clothing are dear, and the housing crisis is serious.

REVISION THE KEY TO PEACE.

The Germans are not unwilling to pay reparations—
BECAUSE THEY LOST THE WAR. They think that this reason suffices. They do not demur to the principle of payment, and they seem to me to realise that the amounts must be large. The manifestoes of President Wilson raised rosy hopes which the Paris Conference duly dispelled : though the controversial use of President Wilson and his " points " continues in the press and on platforms and in conversation, and is noisy enough, what the Germans really object to is

the present uncertainties and the terms of the London Ultimatum, which they think unjust and impracticable. One hundred and thirty-two milliard gold marks (132,000,000,000) is a very large sum. Reckoned in paper marks at the present exchange—the gold mark is worth nearly 200 paper marks—it makes a truly astronomical figure.

Germany has lost population under the Treaty of Versailles, and territory and mineral and agricultural wealth. She is at present the prey of her nerves. Her national health is below the pre-war standard. She seems to me to need a respite, and therewith a revision of the claims against her, both in amount and in the period of payments.

The amounts to be imposed must be such as will win acceptance, more or less, by Germany. Unless this great debtor nation and its Government recognise the justice—it may have to be a rough justice—of the payments imposed, the political peace, the industrial harmony, and the fiscal efficiency that are all alike necessary for the success of the Entente's reparations policy will be lacking. A generation, moreover, is a very long period of retribution. As long as Germany remains under tribute to us, our hands will be tied in foreign policy. That might be very awkward for our European or world policy twenty years hence.

Our national interest is to secure that the whole question of reparations should be taken up again at the point where the Bankers' Committee left it. The Allies must reckon with such a revision of the existing obligations of Germany as the objective discussions of such a Committee may recommend.

Published by the
YORKSHIRE EVENING NEWS
and printed by
THOMAS DE LA RUE & Co.,
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