

## 5. World War One: Economic Drives

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### A. Economic motives behind Australia’s support in WWI

With such tragically disastrous results all round from WWI (e.g. 5A (a, d) & 6) it’s appropriate to examine the motivations for the war from Australian as well as British perspectives. What *was* it all about? Our politicians’ rhetorical ‘justification’ for the war was, as always, couched in idealistic (though truly inadequate) terms, such as ‘*this is a war for Justice and Liberty, - to save the Empire from German militarism*’, etc., all supposedly laudable arguments (see 5A(e) below). That is, if you don’t look at the realities behind the jargon, for there was never any German *military* threat to Britain’s home islands or overseas Empire territories – Australia included. The value in what follows here is that the *real* case driving the politicians to ‘justify’ the war is exposed, not so much by the war’s critics, but by its enthusiastic proponents. That being so, we can be sure their case is not being misrepresented.

In many ways Australia’s motivation was different to that of Britain’s, Australian politicians having been greatly concerned at the prospect of a possible Japanese invasion.(see 3A(b-e) Yet, by the time war broke out in 1914, that was not an issue and the motivations of some Australian politicians were just as unconscionable as those driving Britain’s war effort. This aspect of our history has recently been made readily accessible through the ABC’s Radio National website ([www.abc.net.au/rn](http://www.abc.net.au/rn)) in transcripts from ‘*Patriots Three*’, a six-part series centred on the roles played by Billy Hughes, (Australia’s Prime Minister from 1916) and David Lloyd George, Britain’s Prime

Minister from that same year, and their machinations directed at maintaining the economic upper hand over Germany, both through the war itself and beyond, through the crushing ‘peace’ they were preparing to follow the much sought ‘victory’.

The series, researched and presented by Jill Kitson, is based on original documents (full bibliography appended) and carefully documented throughout the text - complete to page references.(JK1-6) It is well worth the effort to check both text and sources. In this brief overview, examples are given to illustrate the narrowly material motivation, the unworthiness of the case Hughes and Lloyd George were presenting through their speeches and documents. Also to illustrate the utter counter-productiveness of such motivation regarding the deeply-felt hopes for an enduring peace to follow.

**(a) 1916: In desperation, - British Cabinet hopes for *negotiated* peace...**

By way of background, it is interesting to note that within British Cabinet circles, by 1916 the destructive stale-mated war in France had given rise to feelings of helplessness and the widely-held conclusion that it just had to be stopped, if possible using the US President as arbiter. As recorded in *The Political Diaries* of C.P.Scott, editor of *The Manchester Guardian*, Lloyd George’s view was that “*It is nonsense to talk about ‘crushing’ Germany; .....The best thing that could happen would be that when the two sides are seen to be evenly matched America should step in and impose terms on both.....*”. That was at a meeting Scott had with Lloyd George in December 1915. And by January 1916 Lloyd George was pursuing that line with Colonel House, President Wilson’s Special Envoy, House’s Diary entry of January 19 noting “*George’s insistence that the war could only be brought to an end by the President, and that terms could be dictated by him which the belligerents would never agree upon if left to themselves.*” (JK2, 7)

However, in the follow-up although conversations were held between Liberal Prime Minister Asquith, Lloyd George, Foreign Minister Grey and Colonel House, which led to an ‘in principle’ agreement on the plan, no definite date for the necessary conference was arrived at. Nevertheless, at this stage House was encouraged to think the plan held hope, especially since at that very time the French were under extreme pressure at Verdun, 200,000 of their troops facing a million Germans. Yet, lured by Lord Kitchener’s totally fanciful promises of a ‘wonderful offensive’, set for July and August, which would bring victories and ‘win the war’, inaction followed, the war going on and on, all with unspeakable loss and suffering.(JK2,9-11)

**(b) ...but Kitchener’s assurances lure them ‘on to victory’ ....**

Thus the underlying reality was that if it appeared at all possible, even at altogether terrible cost to those doing the actual fighting, the ruling Allied politicians still wanted ‘victory’, - for only in that way could they hope to attain what the war was originally intended for – the crushing of Germany’s burgeoning economy. In February, 1916, William Morris Hughes, by then Prime Minister of Australia, arrived in Britain. And he saw his task as exhorting the ‘waverers’ towards stiffer resolve, a much stronger

‘fighting spirit’. So not surprisingly Conservative Ministers turned to Hughes as one who might electrify the public with stirring messages, *The London Times* seeing his visit as “...an event of very great importance...”. In his first speech, given to the Empire Parliamentary Association, Hughes did not disappoint. As reported in *The Times* of March 10, 1916, Hughes stressed the economic issues, the fact that the war was very much about whose economy would prevail, at one point saying, “...you must by settled determination, clearly expressed to the world, decide, whatever comes or goes, to destroy German control of British Trade. (Cheers.) So you will strike a blow at Germany equal to a decisive land battle.” (JK2, 14)

(You see, when it came to the point, the much vaunted belief in the open market system, involving unfettered competition within and between nations, was in fact *not* faithfully held or followed - especially when your international competitors were gaining on you and reducing your industries’ profitability (see below). Indeed, despite the long-perpetuated dogma extolling the virtues of ‘free and open competition’, lack of observance in its practice, of genuinely open industrial and commercial competition, appears as true today as it was then, an unresolved issue, the continuing source of much conflict.)

### **(c) ...and renewed hopes of crushing German competition**

Consistent with his hard-line reasoning, Hughes was determined to preach the virtues not only of beating your business rival in war, but of ensuring that as a commercial competitor Germany could never rise again. Post-war magnanimity towards the defeated enemy was not on Hughes’ agenda. Thus, in a speech delivered on March 20, 1916, (later published in his book, *‘The Day’ – and After*, (WH) he included the following -

*“...This war has rung the death knell of a policy of cheapness that took no thought for the social and industrial welfare of the workmen, that mistook mere wealth for greatness, no matter whether the wealth was in our hands or those of German Jews.*

*Well, after this war, where are we going to get our sugar – from the Empire, or from Germany and Austria? What new industries are we going to establish – what old ones are we going to develop? Where are we going to get the raw material for our industries? What preparations are we going to make to cope with the great demand for ships, bridges, machinery? These are vital urgent questions that ought to be answered now....*

*If our Allies follow our lead, as I believe they would, German credit and German confidence in ultimate victory would topple like a house of cards. For, once the financiers, manufacturers and the people of Germany realise that the markets of the British Empire and France and Russia and Italy and Belgium are permanently closed to them, the bubble of their hopes will be burst, and confusion and dismay will spread through the land, dissensions honeycomb their political structure, and the spectre of revolution rear its sinister head.”* (JK3, 4)

However, there was still serious debate about the need for a negotiated peace. So Hughes, along with Lord Northcliffe, editor of *The London Times*, General Henry Wilson (architect of Britain's Expeditionary Force in France) and other prominent Conservatives, were keen to counter all such moves. At a speech made in Edinburgh on April 25, 1916, Hughes said, "...When we are told to make peace with Germany, leaving Germany as she is, it means that in England today that hold over our industries would continue; it means that Germany at the close of the war would continue that vigorous and systematised effort to capture our markets. In short, peace now means not only national degradation, not only economic ruin, but that we shall have given up everything and received nothing. There can be no peace until this hypocritical, treacherous and barbarous nation has been beaten to its knees.....".(W.M. Hughes, 'The Day' – and After, pp.79-82; JK3,12)

That view was broadly supported by the Manchester Chamber of Commerce. As Hughes commented, both on the key issue and that support, "...And we see, too, that the relations between our economic policy and national safety are so intimate that to act as if these two things had no such relations is a certain way to national suicide...

*And this, I take it, is the reason why, in Manchester, the city of laissez-faire, the Chamber of Commerce has by an overwhelming majority declared the economic policy which for over three-quarters of a century has been regarded with almost religious veneration by the people of Britain as inadequate to serve them in this great crisis.*" ('The Day' – and After, pp.139-49; JK3,13)

It was at this stage, June 1916, that Lord Kitchener, Secretary of State for War, was drowned at sea. Lloyd George, Minister of Munitions (who until then, although dissatisfied with Asquith's leadership, had been able to play only a limited role in determining war policy) was appointed to replace Kitchener in that key post.(JK3, 14) Lloyd George's mostly Conservative hard line allies were pleased, expecting him to take a much tougher approach to crushing Germany and 'winning the peace' by keeping it down. Another conservative ally was Billy Hughes, who Asquith had reluctantly agreed could join the British delegation to the Allies' Paris Economic Conference. While some were unhappy about this, others, like Lord 'Jackie' Fisher, were elated. In his inimitable style he wrote:

*"Secret and Private*

*Dear Mr Hughes,*

*You are so SPLENDIDLY busy I've refrained from writing to you! But my self-denial won't stand it any longer!*

*You are the ONE man who has boldly stated the ONE thing vital! WE WANT A WAR DIRECTION THAT WON'T ...KEEP FEEDING THE GERMANS AND THAT WILL USE OUR NAVY ARIGHT. LLOYD GEORGE OUGHT TO BE PRIME MINISTER! MAKE HIM TAKE THE PLUNGE! You as Prime Minister would be best!*

*...GRATEFULLY YOURS, Fisher*

(NLA Hughes Papers, see JK4, 2)

A contrasting view was that of the British Prime Minister's son, young Raymond Asquith who, writing to his wife Katherine not long before he was to die on the Somme, had this to say about Hughes' appointment to the British Delegation at the Paris Economic Conference. "*..the whole attitude of England at the present time – if reflected accurately in the Harmsworth press, the only mirror in which I see it – is to me astonishing and shocking beyond measure. To suggest e.g. that this man Hughes should represent the British Empire at an economic conference is almost as sensible as suggesting that Charlie Chaplin should do so. My only hope for England is that the majority of its inhabitants would at any rate prefer Chaplin to Hughes...*".(JK3, 8)

Hughes' attempts to gain support for draconian economic measures, to gain agreement on policies that would strangle Germany's economy far into the future were only partly successful, for still there were many voices urging a Free Trade world. Thus although the delegates at the Paris Conference approved a post-war Allied trading block, they balked at perpetual restriction on German trade and commerce.(JK4, 2) And as Hughes was about to return to Australia, the published version of his war-time speeches, titled '*The Day' – and After*, was released. Speaking at the launch, Lloyd George referred to Hughes as "*...one of the men upon whose courage, insight and inspiration the British Empire depends in its greatest hour of trial...*" Indeed, so influential had he become that at his farewell dinner, with speeches given by Bonar Law, Mr Churchill and Lords Grey, Northcliffe and Rosebery, it became clear that Hughes would be offered a high British Cabinet office should he choose to stay in London.(JK4, 4-5)

#### **(d) The Somme and....**

Hughes left England as Lloyd George became the new Secretary of State for War and the British attack at the Somme began. That battle proved to be unimaginably destructive of life all round. On the British side 20,000 men were killed, another 25,000 seriously wounded on the first day. As historian Martin Gilbert commented, "*medical services were overwhelmed*", those not expected to survive simply being 'put aside' to die.(MG1, 408-9) Indeed, at this very time as Hughes was sailing for Australia, its First Division suffered 5,285 casualties during its attack on Pozieres.

Nine days of fighting pushed the Germans back 1-2 miles, but no breakthrough was in prospect despite General Haig's confident predictions of the enemy's 'complete overthrow'.(MG1,411-3) And notwithstanding the few miles gained for such high casualties (always obscured using various forms of deception and illusion) the setback of the Somme was promoted as a 'victory'! Some victory! Gwynne Dyer gives the cost in British deaths from 5 months of fighting that gained 45 square miles of territory as 415,000 men, - 8,000 per square mile.(GD, 83) Among those killed were Prime Minister Asquith's son, Raymond, and Donald, brother of the British Cabinet Secretary, Maurice Hankey. Add to that the French death toll of 50,000 and the German at 160,000.(MG1, 420-1) For some generals and politicians, those figures may seem like a victory - though few would agree.

**(e) ...the urgent call for conscription**

Arriving back in Australia and learning of these great losses in France, Hughes saw only the need to supply more Australians for 'the task at hand'. As he had earlier proclaimed to the British Imperial Chamber of Commerce, "...*Let us resolutely ..... proceed to devise a policy for the British Empire ..... compatible with those ideals of liberty and justice for which our ancestors fought and died, and for which men of our race now, in this greatest of all wars, are fighting and dying in a fashion worthy of their breeding.*

*...Let us no longer pursue a policy of 'drift', but set sail upon a definite course as becomes a mighty nation to whom has been entrusted the destiny of one-fourth of the whole human race."* (JK3,4)

Those on behalf of whose destiny he claimed to speak would seriously have doubted the methods used for their betterment, but the stirring ideas would have strongly resonated throughout the Empire with all who thought like Major General Sir Ian Hamilton. (e.g., footnote, 3A(e); also 4B(f))

Consistent with these views, Hughes set about increasing 'Australia's contribution'. And since, following the early 'home by Christmas' heady days voluntary recruitment had greatly fallen off, he sought to introduce conscription - to force young men into the front line in France. After all, the losses were such that tens of thousands more Australians were required. Unlike Britain, however, except for home defence, that was contrary to Australian law, unless sanctioned by referendum, - so a campaign to ensure success began. As opinion was sharply divided, it was considered crucially important to show the support of those volunteers already at the front. That was a task entrusted to journalist, Keith Murdoch (later to become founding Editor of Melbourne's *Herald*). Yet, in the event, Murdoch was to advocate the voting result be suppressed, simply merged into the total, because a clear majority of those in the front line were *opposed* to such coercion.(JK4, 6-7) One can only marvel at the spirit of fairness exhibited by these exhausted, sorely-tried and traumatised young men in the trenches, - a truly rare form of bravery, - a quite extraordinary example to those at home.

In the end the referendum proposal was defeated, but only by 72,500 votes (of 2.25 million cast). When, as fall-out, the Australian Labor Party expelled Hughes, he walked out of the Caucus meeting with 24 supporters. But then, with the backing of conservatives, he formed a new 'Nationalist' government, a government prepared to continue supporting the war with more and more young Australian lives - even if, for the time being, that could not be enforced.(JK4, 7)

The other side of the coin was the opposition both at home and abroad to the war and the hope that with President Wilson as arbiter it might be stopped. As revealed in *The Letters and Friendships of Sir Cecil Spring Rice*, he then Britain's Ambassador to the United States (1913-1918) Americans had all along been sceptical as to the justice and sanity of the war, - not that Sir Cecil agreed, his role being to convince the US to come

in on the Allied side.(SG) The reality was that very many Americans, including their President, could see that it was tearing Europe apart, destroying the best of their youth, ruining their economies, sending their countries into impossible debt. So, while not a great deal had come of Wilson's earlier proposals, on December 20 1916, following his re-election to a second term under the slogan "*He kept us out of the war*", he sent a 'Peace Note' to the warring powers requesting their views "*...as to the terms upon which the war might be concluded, .....*". He also sought to interest them in establishing post-war arrangements to make small as well as large nations secure, through organisations such as a "*...league of all nations...to preserve peace throughout the world..*" – these to replace the disastrous Alliances of the competing Empires which had brought on the war.(MG1, 419-20)

#### **(f) Lloyd George undermines Wilson's peace proposals...**

But the difficulties were great. Back in September, *The Times'* Lord Northcliffe had arranged for an interview between Lloyd George and an American, Roy Howard of the United Press, regarding the 'threat' of the US President 'butting in' to stop the war. In *The Times'* report, Lloyd George was outspokenly critical of any such move. To paraphrase some of it: -- *the British soldier was a good sportsman. He'd enlisted in a sporting spirit. He wanted but a sporting chance. He played the game, did'nt squeal. Germany's plan was a fight to the finish with England.* Lloyd George agreed – *so should it be. The Allies must not be quitters* " 'Never again' has to be our battle cry..." He had just visited the battlefields, stood at the door of Hell. Saw myriads marching into the furnace – saw some emerging, scorched and mutilated. He goes on, "*This ghastliness must never be re-enacted on earth, and one method .....of ensuring that end is the infliction of such punishment upon the perpetrators of this outrage against humanity, that the temptation to emulate their exploits will be eliminated from the hearts of the evil-minded amongst the rulers of men. That is the meaning of Britain's resolve.*" And much more in that vein. (*The Times*, September 29, 1916; JK4,8)

What a bizarre upside-down approach to punishing 'the evil-minded amongst the rulers of men' - to go on punishing not the 'rulers' but those ruled – specifically those thrust into the trenches, the firing line! What monumental lack of insight, and what an outrageous claim as to the geographical limits of that evil-mindedness! That aside, although Lloyd George was congratulated by many, including Lord Riddell who thought it '*splendid – like molten lava*', it upset Foreign Secretary, Sir Edward Grey who sent a letter of protest. What is interesting here is that in his reply Lloyd George included a copy of an intercepted, decoded, secret message from Germany's Chancellor von Bethman Hollweg to the US requesting a peace conference. Treasury's McKenna too was outraged, seeing Lloyd George's aim as to de-rail the President's peace initiative by denouncing it in advance. He thought the war had done quite enough economic damage already, Britain having to borrow from America two million pounds *every day!* (JK4, 8-9)

But by late November, Lloyd George was on the march to leadership, ready to by-pass the 'failing' Asquith, so deeply affected by son Raymond's death on the Somme. Indeed

by December 7, Asquith had resigned, leaving his country with Lloyd George as Prime Minister in the hands of 'the war party'. For that was the effect, with all the pro-war people (including - at a distance - Billy Hughes) rallying around him. Hughes was bucked because in Lloyd George's first Prime Ministerial parliamentary speech, he proposed an Imperial War Council that would include the Premiers of all the Dominions, they to have a say on the running of the war and the peace terms to be imposed following victory.(JK4, 9-10)

**(g) ...but President Wilson persists**

So the prospects for success of President Wilson's 'Peace Note' could hardly be good. Notwithstanding Lloyd George's claim that Germany's Chancellor, Bethman Hollweg had as recently as September sought a peace conference under the auspices of the United States, Martin Gilbert tells us that "*President Wilson's Peace Note was rejected by all the belligerents.*" Gilbert then quotes Lloyd George as declaring "*We shall put our trust rather in an unbroken army than in broken faith.*" (MG1, 422)

Yet, despite having been told by Lloyd George *not* to press for a negotiated settlement, President Wilson did not give up. Having in November 1916 been re-elected for a second term, he addressed his Senate on January 22 on the need for "*Peace without victory*", the principles of which he later refined into his "*Fourteen Points*", conditions he believed could prevent a further world catastrophe.(JK4, 10-11)

But then Germany committed a fateful blunder, one which made continued US neutrality all but impossible. On February 1, Germany declared 'unrestricted submarine warfare': henceforward, all ships serving Britain's supply life-line would be sunk on sight. Since America had been Britain's major supplier (as well as creditor) Wilson broke diplomatic relations with Germany. Over the next two months several US ships were sunk. That was bad enough, but then in mid February British intelligence deciphered a telegram from Germany's Foreign Minister, Zimmermann, to the Mexican government proposing a joint Mexican-German invasion of Texas!(JK4, 11)

**(h) Finally the US opts for war**

Thus, what with enormous pressures from US financial institutions (those bankrolling the Allied powers in the war and anxious as to whether they would ever get their money back) - plus the very great political pressures from the submarine sinkings, not to mention the effects of the infamous 'Zimmermann telegram', on April 6 President Wilson (still proclaiming his principles for the ultimate peace) declared the US to be at war with Germany. Although US conscription was then introduced, American forces would not arrive in France in significant numbers until mid 1918. (JK4, 11)

So for the original European Allies, the task of defeating Germany remained, the ever-so-destructive conditions of the stale-mated front resulting in the deaths of ever-increasing numbers of replacement troops. Billy Hughes, anxious to gain some spoils from the hoped-for 'victory', was facing an election with many in Australia unconvinced

of the war's justice - particularly those Irish Australians who were all too aware of Britain's unwillingness even to allow Home Rule for Ireland! Although he urged Lloyd George to move on that issue, nothing was done. Nevertheless Hughes won the May 1917 election. But with the war still bogged down and casualties mounting, (Australia's five divisions suffering some 38,000) its monthly enlistments for September and October 1917 had dropped to 3,000. The Army Council and General Birdwood were calling for 6-7,000 per month, - so still wanting 'to do his bit', Hughes in late October announced a *second* Conscription Referendum.(JK4, 12)

#### **(i) A second Australian Referendum on Conscription – also fails!**

Again Keith Murdoch with a dozen staff was hard at work lobbying the Anzac soldiers in France. In writing to Hughes on this and other matters, he warned of anti-British feelings in America and of Wilson's lack of sympathy for Hughes' post-war claims over 'the German Pacific Islands', advocating he lobby in the US on his way to Britain.(JK4, 12) However, on December 20, 1917, conscription was once more rejected by even more votes, - including those young men so desperately holding on in France. It was a truly courageous self-sacrificial act on their part, especially as their numbers were by then so depleted.(JK4,13) Yet, one is left to imagine that as volunteers themselves, they must have felt deeply the injustice that would be involved in compelling their brothers and other friends at home into the living hell they were enduring on the Western Front.

In reflecting on this second rejection to Murdoch, Hughes wrote, "*My dear Keith I've been awfully upset over the Referendum and its aftermath. The result was a bitter pill to swallow – the soldiers' vote the most bitter of all. .... How DO you account for the soldiers' vote?*" .....etc., ascribing it all to "*....Sinn Fein I.W.W. selfishness and sentimental vote of the women: AND WAR-WEARINESS!!! WAR-WEARINESS of a people who have escaped all the consequences of this awful war! ....And upon my head these rotters have visited the consequences of Australia's failure to do her duty. .... Damn everyone and everything!! However enough of this. The war's the thing*" .(JK4, 13) My, that man Hughes, what bravery, what courageous determination he showed!

#### **(j) Russia sues for peace...**

And events were not going at all well for the Allies on the Western Front After the horrors of Flanders and Passchendaele, matters had become even more desperate because after Russia's traumas on the Eastern Front, its vast civilian as well as military losses, and its recent revolution, the Bolshevik government was at Brest-Litovsk negotiating a settlement with the Central Powers, Germany and Austria. So Lloyd George called a Supreme War Council (Colonel House representing President Wilson) which met in Paris early December to discuss possible solutions. After all, American troops were not in France in any strength and if Russia pulled out, Germany would have very many more divisions available for the Western Front. And if Germany negotiated a settlement with the Western Allies, it would want equal treatment, including restoration of its colonies and guarantees against indemnities, i.e., reparations, etc. Lloyd George dismissed that option as 'unacceptable'.(JK4, 13-4)

At the same meeting Colonel House was looking for a “...*world-appealing*.” policy, a statement of Allied war aims that would establish an appropriate international framework for a just and lasting peace. It could all be summarised in Woodrow Wilson’s “*Fourteen Points*”, his Address to Congress of January 8, 1918. While it is true that the US *as well as* Germany had been developing economically faster than Britain and equally true that Wilson’s idealistic formulae omitted all mention of future American ambitions (see US historian Ronald Steel’s review in NYRB (RS)) nevertheless his ‘Points’ represented an altogether valid basis for urgent international consideration. That was because, like the *League of Nations Covenant* which followed, these Points stressed the rights of people to self-determination, democracy, the removal of international economic barriers, and the establishment of measures to ensure collective security including the need for *general* arms reductions, “...*to the lowest point consistent with domestic safety*” - all to be coordinated through a new body, *The League of Nations*.(JK4, 14)

However, as Jill Kitson commented, while liberals the world over welcomed these principles, America’s European Allies were “*less enthusiastic*”. Tragically for the world, that turned out to be a gross understatement. While the Entente Allies were willing to discuss their war aims, it was all too clear that these were totally at odds with Wilson’s Fourteen Points, especially: Point 2 – guaranteeing “*Absolute freedom of navigation in peace and war*”, Point 3, “*The removal, so far as possible, of all economic barriers*” and Point 14, the proposal to establish “...*a general association of nations.....to afford mutual guarantees of political independence and territorial integrity to great and small states alike: the League of Nations.*” Since, for Britain, these provisions would threaten its Imperial vision of unfettered naval power, its Imperial Preference in international trade, and its Imperial defence arrangements for its Colonial ‘possessions’, further discussion was postponed in favour of winning the war, especially as American divisions had still to arrive in strength and German divisions were moving west for the ‘Emperor’s Offensive’.(JK4,15)

#### **(k) ..and Allies close to collapse....**

As events transpired, with its extra divisions from the east, the Kaiser’s offensive was coming very close to defeating the Entente Allies. By April 5 German forces had advanced nearly 70 km and with the all too likely prospect of defeat, Keith Murdoch cabled Hughes, then due to confer in Britain, to visit Wilson on his way to encourage far greater American support. According to Murdoch, although the US had undertaken to send 17 divisions, only 4 had arrived at the front by March 1918. For his own part, Hughes was keen to counter Japan’s claim to Germany’s former island ‘possessions’ in the north Pacific (the Marshalls, Carolines, Ladrões) which Britain had promised it for being ‘a loyal Ally’. And while he claimed this would directly threaten Australia, he at the same time wanted to press his own country’s claim to ‘German New Guinea’ and adjacent islands. So all this too could be put to the President.(JK4, 15; JK5, 1-2)

By May 29, Hughes was in Washington visiting the White House with British Ambassador, Lord Reading. Later he was to report that his meeting with President

Wilson had been a “..chilling experience..”. The problem was that while Wilson had listened most attentively to Hughes’ claims on Germany’s former Pacific colonies for Australia, he did so in a complete silence, “...as unresponsive as the Sphinx in the Desert...”. As he continued, “Nothing so utterly demoralises a public speaker as silence. .... The President’s silence had so depressing effect upon me that my power of speech withered and died, ...” Hughes’ only part compensation for his American visit was a better hearing two days later at a public meeting in New York reported in the *New York Times* under headlines proclaiming –

AUSTRALIA TO HAVE A MONROE DOCTRINE  
‘HANDS OFF’ ALL THE SOUTH PACIFIC ISLANDS, SAYS PREMIER HUGHES  
NONE BACK TO GERMANY (JK5, 2-3)

When Hughes arrived in London on June 15 the prime concern of many, including Borden, the visiting Canadian Prime Minister, was the truly terrible human toll on the Western Front. Seeing the problem as due to poor leadership by Commander in Chief British Forces, General Haig, Borden and others convinced Lloyd George to have France’s General Foch promoted to ‘Commander in Chief of the Allied Forces’. But since by that stage (July 1918) the US still considered itself not as an ‘Ally’ but as an ‘Associated Power’ in the war, its newly-arrived 600,000 troops remained under US command.(JK5,3)

That aside, what most concerned Hughes was his campaign towards peace terms and policies that would strengthen the Empire, secure Australia’s interests, and keep those of Germany down. Hence his worry that there were still in Britain those who looked to a post-war recovery of Germany’s economy and a resumption of world-wide trade – the very ‘open door’ policy being advocated by President Wilson. But, under the guise of an ‘Imperial Preference’ tariff system, such open trade is precisely what Hughes sought to prevent through public meetings and parliamentary lobbying. Moreover, on his side were powerful industrial lobby groups like the British Empire Producers Organisation and the National Union of Manufacturers, a 200-strong deputation of the latter convincing Lloyd George that with American forces on the Marne now assuring the final ‘victory’, he could afford to support that organisation’s uncompromising stand.(JK5,4)

Also encouraged by the political possibilities, Lloyd George began to engage in public ‘tough talk’ designed to undermine Wilson’s position. As reported in the *New York Times* of August 2, “*The longer the war lasts the sterner must be the economic terms we impose on the foe. I think the sooner he realises that the better*”. (JK5, 5) Realistically, Wilson’s view was that, besides undermining the prospects of lasting peace, such threats could only strengthen Germany’s determination *not* to negotiate, but rather to go on fighting. As the President’s displeasure (conveyed by Colonel House) expressed it “*The President ... had understood that the Allied Governments decided that they would not officially resort to the punitive trade policy advocated by the Paris Peace Conference. He was disturbed therefore on reading the reports of the Prime Minister’s speech of July 31<sup>st</sup> ... which seemed to recommend the crushing of Germany’s trade after the war. ..*” (JK5, 5)

**(I) ...but Wilson set on victory – yet with a just peace...**

The President was determined not only to finish the war with American troops but to arrive at cease-fire Armistice terms consistent with his Fourteen Points - which included the establishment of a post-war League of Nations that would assure some sanity guaranteeing no possible recurrence. So on September 27 he underlined his case for the League by ruling out the 1916 Paris Resolutions, Imperial Preference, and the use of economic boycotts. As he stressed, “...*there can be no special, selfish economic combinations within the League and no employment of any form of economic boycott ..... Special alliances and economic rivalries have been the prolific source in the modern world of the plans and passions that produce war.*” (JK5,6) (Indeed, as earlier mentioned, President Wilson had long since recognised this First World War, the so-called ‘Great War’, as stemming from unresolved trade rivalries between Europe’s Empires – each, in this finite world, intent on expanding its economy and territories indefinitely – and so inevitably at one-another’s expense!)

By early October German troops had been forced back to the Hindenburg line and Bulgaria had sued for peace. And on October 5, Germany’s Chancellor, Prince Max of Baden, sent a note to President Wilson agreeing to a negotiated peace *on the basis of his Fourteen Points*. On this the Entente Allies expected Wilson to confer with them, but instead he simply agreed, subject only to Germany’s formal acceptance of the terms laid out in his Fourteen Points and subsequent addresses to Congress - plus evacuation of all occupied territory. Lloyd George regarded the Fourteen Points, including the League of Nations concept of post-war governance, as ‘*very dangerous*’. But by then events were moving extremely fast, the German government, reaffirming its acceptance of the specified terms the following day.(JK5,7)

All this caused great alarm in British government circles, Lloyd George promptly meeting with his senior Ministers, plus Commander of the Imperial General Staff, General Sir Henry Wilson. At the same time, Billy Hughes, in Paris to receive the Grand Cross of the Legion of Honour, conferred with Premier Clemenceau. As he cabled to acting Australian PM, W.A. Watt, on October 16, “*I had conference with several ministers French War Cabinet as well as with Clemenceau and discussed Wilson’s Fourteen Points. They think as I do. The people of Britain and France are very determined that fruits of victory shall not be taken from them by trickery.*” (JK5, 7-8) Ah, for the fruits of victory, the spoils of war!

(Lest there be any doubt as to which power did in fact have the upper hand in determining the cease-fire Armistice terms (as stated), one can only stress the by-then vast and rapidly growing economic power of the United States, the fact that it was *the* creditor nation bank-rolling the war and that, ultimately, only after the arrival of its 600,000 American troops, was Germany’s successful offensive finally stemmed and reversed)

In all this Wilson appeared confident of his position. But as his Entente partners would later prove, while they would (per-force) go along with the *wording* of the Armistice

terms, they would not *implement* the peace conditions these terms promised. Indeed, over time, they would systematically undermine those terms. So, for the delicate negotiations leading to the Armistice signing, Billy Hughes, with his belligerent outspoken style, was not just an embarrassment, but a great diplomatic hazard who had to be side-lined. However, while Billy objected volubly to his exclusion from top-level negotiations, he remained largely pre-occupied in countering the claims of his unwelcome ‘Ally’, Japan, to the former ‘German’ Pacific islands. Indeed at this very time, October 30, 1918, the *London Times* had just published an article by a former Japanese Prime Minister, Marqis Okuma, entitled “*Peace Problems and the Future of the Japanese Empire*” which asserted Japan’s ‘right’ to those former German colonies. Since, as an ‘Ally’ Japan was represented at the Armistice conference while Australia (as a British Dominion) was not, a frustrated Hughes could only write to Lloyd George emphasising his country’s long-held fear and distrust of an Imperial Japan, pointing to its possible use of these islands as future naval and military bases. Also, as ever on his mind, the trade issue: “*The recognition of Japan’s claim to these islands will enable her to pursue much more effectively her policy which is directed to securing for herself the trade which Britain and Australia have built up.*” (JK5, 9-10)

**(m) ...while Hughes, like others, intent on ‘spoils of war’**

By-passed by the Armistice decision-makers who on October 8 were about to receive Germany’s final agreement, Hughes, addressing the Australasian Club, had launched a tirade against its terms. Well understanding its commitments, but misunderstanding what might (and did) ultimately happen, he claimed that “*...if Germany accepts the terms of the Armistice, they become the terms of peace which will bind the whole civilised world, which will shape our destinies and determine the future of mankind for years – it may be for centuries.*” And as the *London Times* report of November 8 continues, Hughes went on to complain about the term’s requirement for “*The removal, as far as possible, of all economic trade barriers and the establishment of the equality of trade conditions among the nations* “. And here Hughes was at pains to emphasise his country’s sacrifices, its war debt of 300 million pounds and the deaths of nearly 60,000 young Australians “*...in the cause of liberty...*”. But then he went on to challenge the need for a tariff-free (i.e., free-trade) world, for a peace settlement lacking German indemnities to lighten crushing Allied war debts. As he said “*Is Germany to pay nothing to lighten our grievous burden? Let the German people work out their salvation by deeds. Let them pay.*” (as reported, ‘loud cheers’) He then made a further contribution to ‘the fight for liberty’ when he pleaded, not for the self-determination of the people of the former German colonies, but that these islands “*...be given to the people whose national existence depends on their possessing them. (cheers)*” (JK5, 11-12) No, not back to their indigenous inhabitants, but to ‘us’ Australians!

On one point, however, Billy Hughes was totally frank. In his letter to *The Times* of November 9, in emphasising the Allies’ total lack of consultation with Australia on the Armistice terms, he ended by summarising the position of all the Dominions throughout the war, when writing, “*As war was declared and (the Dominions) were involved without expressing an opinion in any way, so have the terms of peace, or the principles*

*governing them been definitely settled without their consent.”* (JK5, 14)

Knowing much that Hughes did not, Lloyd George was said to be pleased with the war's outcome. Writing to Lord Riddell on November 10 he expressed satisfaction with the Armistice terms. At 5am the following morning, November 11, the Armistice was signed and by 11am the guns were silent, the war over. Accompanied by Bonar Law and Churchill, Lloyd George appeared at his Downing Street upstairs window to acknowledge the cheering London crowd. (JK5, 14)

As Part 6 of Jill Kitson's '*Patriots Three*' programs, broadcast on the ABC deals with events that followed the end of WWI, reference to that Part is deferred to a later section, "*Outcomes of World War I and & the Tragic Path to WWII*". (see 7A,B,C) Full transcriptions and complete source references from Jill Kitson's '*Patriots Three*' (programmes from August/September, 2004) on ABC's website, on 'Big Ideas' at ) <http://www.abc.net.au/rn/bigidea/features/patriots/default.htm>

## **B. General Reflections on the War's Economic Origins**

Before shifting topics I should interpose some reflections on the material Kitson has so effectively presented by simply letting the political actors of the day tell it in their own words. After all, there can be no more authentic way of establishing what was in their minds, what the real issues were that first originated, then drove the war to its tragic end – and beyond – preparing the way for WWII. Of course, as Australians, we are especially concerned with the roles played by our 'own' politicians, whether Australian or British. However, I want here to further consider the underlying economic motive power behind the war, not just the driving force impelling *our* leaders, but rather to let them illustrate the attitude common to the leaders of *all* the Imperial powers. This was that with the 'right' national spirit and willingness of youth to sacrifice their futures, their lives, their country would 'win' and *their* country's economy would thereby 'prevail' over that of its competitors. But since 'winning' turned out to be a wishful-thinking mirage, *all* in fact *losing* – children, morality, wealth, - that was an obvious no-win result for all, not even a solution to the nations' economic problems. So as members of humankind, we have to ask what might be done to 'save us from ourselves'?

Then, as now, in the lead up to WWI the conventional economic wisdom held that open market competition between nationally-based industries and financial institutions was the only 'correct' way to go - that left alone it would serve the needs of all. Hence the virtues of a universal free market, the open-door approach to international trade. But as already noted, from the earliest days of industrial capitalism, Adam Smith was fully aware of serious problems. Although greatly attracted to the possibilities of a mutually-satisfied and peaceful world, he was acutely aware that such would be possible only if national policies gave top priority to developing their *domestic* economies, each to be based on equitable exchanges of goods and services, so providing mutual support within and across each national community, each nation thereby 'putting its house in order'. (AS)

However, by the time his *Wealth of Nations* was published in 1776, Smith was not optimistic as to that economically-possible, highly-desirable outcome. Instead he could see only growing international tensions and wars emerging as powerful special interest groups, particularly the various Mercantile Companies, influenced their governments to shape the national economy (at the expense of others) in *their* favour. For example, by having their government bank-roll and carry out overseas military operations to control colonised peoples, their lands and their markets according to what then (and since) was termed the 'National interest'. (AS; JS1; IB) Certainly, while this sort of behaviour gave benefits - even if only short-term to the special interests, - it all came at great cost to the overall well-being of the nation's wealth and its people (including the sons and daughters of its master planners), as for example through Britain's loss of the American colonies, its stormy occupation of India and its tragic involvement in World War I.(AS; JS1; JH; BT1; BT2; BT3)

As, following the Industrial Revolution, similar outcomes have increasingly afflicted humankind over the past 250 years, we are now in a better position to appreciate the significance of earlier messages given by truly insightful economists and moral philosophers such as Adam Smith, John Hobson, and John Rawls.(AS; JH; JR1; JR2) For example we can see the total relevance of Hobson's timely warnings at the turn of the 19th.Century regarding the looming catastrophic clash between the competing, ever-so-rapidly-arming Empires of the day, each intent on their 'manifest destinies', their 'right' (through 'honest collision' with rivals) to 'prevail', to become *the* dominant nation. Indeed, we can see the stark consequences of the failure of nations to heed the warnings of Adam Smith, John Hobson and others, the descent of 'civilised', supposedly 'Christian' nations into absolutely insane conflicts which (further promoted through their mutual consent 'to *continue* the fighting until 'final victory') destroyed the lives and hopes of so many millions of their children.(MH,63-80; BT1, 229-288; BT2)

I will return to this unresolved problem towards the end of these essays, but the issue is raised here because of the crying need for serious attention as we reflect on the past (e.g., Appendix B, pp.8-10) and more recent historical events. For we have a clear choice. We can go on and on, pursuing the mirage of limitless economic growth via domestic and internationally competitive means with the inevitable consequences of continuing social and environmental disintegration which undermine our security and lead to further wars. Or we can pause and have a really hard think about alternative more equitable and sustainable alternatives brought to mind by luminaries like Adam Smith, John Hobson, John Rawls, Jeffrey Sachs and (as I should not even need to mention) our Christian innovator e.g., via his Sermon on the Mount. (AS; JH; JR1; JR2; JSa) The matter requires urgent consideration because currently it receives almost none - our so-called economic wisdom remaining near frozen, supposedly beyond serious question.

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