

Return to the Gold Standard

Sources

A A leading economist of the times is critical of the 'Return to Gold'.

We know as a fact that the value of sterling money abroad has been raised by 10%. This alteration in the external value of sterling has been the deliberate act of the Chancellor of the Exchequer and the present troubles of our export industries are the inevitable and predictable consequences of it. Thus Mr Churchill's policy of improving the exchange by 10% was sooner or later a policy of reducing everyone's wages by 2s (10p) in the £.

Deflation (a fall in prices) does not reduce wages automatically. It reduces them by causing unemployment. The proper object of dear money (i.e. a rise in interest rates, which accompanied the Return to Gold) is to check an incipient boom. Woe to those whose faith in a strong £ leads them to aggravate a depression.

Keynes, M. *The Economic Consequences of Mr Churchill*, published in 1925; quoted in: Knight.

B Churchill's decision has given him a poor reputation as an economist. Yet Keynes was not the only voice. The Churchill archive has an interesting account from May 1925 of another perspective.

At the gathering of the British Bankers Association Sir Felix Schuster, its president, offered on behalf of his fellow bankers warm congratulations to the Chancellor of the Exchequer upon the return to the Gold Standard. It was, he said, a momentous and heroic occasion...an event of the most momentous importance which will affect the welfare of everyone...it would lessen the cost of living and the cost of production, that in the course of time we would again become the principal lenders to foreign countries, greatly to the advantage of our industries. The greatest effort on the part of our producers of all classes was needed to overcome the powerful competition which we had to meet owing to changed circumstances all over the world.

The Times, May 1925, Churchill Archive.

C Leo Amery, (quoted Rhodes James, p. 226) has this verdict. Amery was a leading Conservative politician of the 1920s and 1930s.

The combination of deflation and free imports which Churchill stubbornly maintained bore its immediate fruit in wage reductions, long drawn industrial conflict and continuous heavy unemployment; its long term results in the conviction of the working class that Socialism alone could provide a remedy for unemployment. The chief author of a great Prime Minister's defeat in 1945 (in which Churchill lost the election, despite having won the war) was the Chancellor of the Exchequer of twenty years before.

My Political Life 1955, Hutchinson (out of print).

Source D: a historian sums up the consequences of the return to the Gold Standard

The whole story was a remarkable example of a strong not a weak minister ... reluctantly succumbing ... to the near unanimous, near irresistible flow of establishment opinion ... as a result there was committed what is commonly regarded as the greatest mistake of that main Baldwin government, and the responsibility for it came firmly to rest upon Churchill. Keynes, for instance, wrote a pamphlet, ... 'The Economic Consequences of Mr Churchill'. In a sense this allocation of blame was unfair, but only in a sense ... [Churchill] wanted his first budget to make a great splash, which it did, and a considerable contribution to the spray was made by the announcement of the return to Gold. Reluctant convert though he had been, he therefore deserved ... a considerable part of the blame. An irony was that by up-valuing the pound Churchill threw a destructive spanner in the works of Baldwin's industrial policy ... The worst possible contribution to industrial peace in our time was to make things more difficult for already suffering traditional export trades, cotton, shipbuilding, steel and above all coal, which was precisely what was done by the return to Gold at the pre-war parity.

Sources

A From the *New Statesman*, a political magazine sympathetic to the left, 22 May, 1926.

The Prime Minister proposed to go ahead with negotiations and avert the Strike, he was faced with the immediate resignation of his colleagues – Churchill, Neville Chamberlain, Bridgeman, Amery, Joynton-Hicks and Cunliffe-Lister. So he gave way... Mr Churchill was the villain of the piece. He is reported to have remarked that he thought “a little blood-letting” would be all to the good.

We do not know whether there is anyone left who still honestly believed that the Strike was a “revolutionary” attempt to subvert the British Constitution. It was a strike in furtherance of a trade dispute and nothing more.

Ought we to thank Mr Churchill or ought we to hang him on a lamp-post? It would be best that he should be hanged.

The Churchill Archive.

Source H: in his book *Churchill and the Soviet Union*, David Carlton describes Churchill's reaction to the General Strike

He saw it as a dramatic and conscious challenge to the Constitution and, according to Neville Chamberlain (the Minister of Health), in the days before its commencement was getting frantic with excitement and eagerness to begin the battle'. Baldwin put him in charge of the *British Gazette*, remarking privately that 'it will keep him busy, stop him doing worse things' and adding 'I'm terrified of what Winston is going to be like'. In the event the moderate anti-Bolshevik leaders of the TUC rapidly called off the General Strike once they had grasped the constitutional implications. The miners were simply left to face eventual defeat. But Churchill continued to believe that sinister pro-Soviet forces had been seriously involved. It is true of course that the Soviets welcomed the British General Strike and even contributed some funds to assist the strikers and their families. But it seems unlikely that their role in any phase of British interwar industrial relations... was of any great importance.

Source I: Paul Addison has written about Churchill's actions during, and subsequent reputation after, the General Strike

Ever since the General Strike, tradition has asserted that Churchill played the part of a dangerous extremist, driving the pacific Baldwin into a conflict that might well have ended in bloodshed but for the Prime Minister's skilful control of the fire-eating Chancellor of the Exchequer... It is quite true that in some ways

The General Strike

Churchill took an extreme line during the strike... The Cabinet united behind Baldwin's refusal to compromise. Baldwin and the majority worked on the shrewd assumption that the General Council of the TUC could be detached from the miners. They deliberately abstained from language or measures that would drive the 'moderates' of the TUC into a deeper alliance with the 'militants' of the coalfields. Churchill, however, was for pling on the pressure to break the strike. True to form, he was all for heightening the conflict once the issue was joined. Needless to say he did not intend to risk a bloody civil war. But he wanted to shake an intimidating fist at the strikers... All told, there was much truth in the left-wing notion of Churchill as the extremist of the General Strike. Yet it was convenient for Baldwin, with his carefully constructed reputation as a moderate, that Churchill should be depicted as a menace. Years later [Baldwin] told his biographer, G. M. Young, that the cleverest thing he had ever done was to put Churchill in charge of the *British Gazette*: 'otherwise he would have wanted to shoot someone'. After objections from Churchill, this phrase was deleted from the published version of the biography.

Source J: Norman Rose has also written of Churchill's reactions to the General Strike

Churchill was fully involved in the coal dispute, that had been festering since the end of the war, and that led directly to the great strike. The pre-strike negotiations were prolonged and bitter. Churchill adopted a conciliatory position. He favoured granting a £19 million subsidy – that grew later to £23 million – an offer that blew a hole in his budget but which, together with an intensive enquiry into the ills of the industry, he hoped would preserve industrial peace. This proved to be the basis of a compromise that lasted until the spring of 1926. [But] as the prospect of a fight appeared inevitable, his mood, once conciliatory, turned militant. He was apprehensive lest a pressurized government, bereft of decisive leadership, strike a dishonourable compromise. Once the strike broke out, Churchill's attitude clarified. 'There are two disputes on', he told Baldwin. 'There is the General Strike which is a challenge to the Government and with which we cannot compromise. Strike Notices must be withdrawn unconditionally. There is also a trade dispute in the coal industry; on that we are prepared to take the utmost pains to reach a settlement in the most conciliatory spirit.'

Questions

1. What, according to Source H, was the basis for Churchill's opposition to the General Strike? (3)
2. According to Source J, how did Churchill's attitude differ between the miners' strike and the General Strike? (5)
3. How useful is Source G in understanding Churchill's unpopularity with the Labour Party? (5)

Sources

A The Chancellor of the Exchequer expresses his view about the Strike to the House of Commons.

The miners of course have a right to strike. But that is an entirely different thing from the concerted, deliberate organized menace of a General Strike in order to compel Parliament to do something which otherwise it would not do. However, when the threat of a national strike is withdrawn, we shall immediately begin, with the utmost care and patience to talk with the unions again and undertake the long and laborious task which has been pursued over these many weeks, of trying to rebuild on solid economic foundations, the prosperity of the coal trade. That is our position.

Churchill, speech, 2 May 1926, Churchill archives.

B Churchill writing in his official newspaper.

This is the most destructive industrial disturbance which this country has experienced in generations. The trade unions have become the tool of the Socialist Party and have brought politics into industry in a manner unknown in this country before now. The extremists are able on every occasion to force the moderates into violent action. Moscow influence and Moscow money have droned the voice of reason and good feeling. A General Strike is a challenge to the State, to the Constitution and to the nation. There is no room for compromise.

Churchill, article, *The British Gazette* 4 May 1926.

Relations with the Labour Party

Source G: the Labour MP and fierce opponent of Churchill, Emmanuel Shinwell, writing about him in a book published in 1953

Nobody in British politics during the early 'twenties inspired more dislike in Labour circles than Winston Churchill. His crowning sin was the fatuous declaration that Labour was unfit to govern, an accusation that gave the greatest offence to members of the Labour Party. His activities as Chancellor of the Exchequer and as the self-appointed defender of the Constitution during the General Strike served to embitter relations still further between him and the Labour Movement. He was accused of taking decisions that led to a sharp increase in unemployment, of raising state funds in the interests of wealthy taxpayers, and of rejecting attempts to compromise in the General Strike, thus prolonging the dispute. Nor was his conduct as Editor of the official anti-strike paper the *British Gazette* calculated to enhance his reputation among the industrial workers. The mention of his name at Labour gatherings was the signal for derisive cheers; when a Labour speaker found himself short of arguments, he only had to say, 'Down with Churchill.' This never failed to draw thunderous applause.

Sources

Three historians from different decades give their view on Churchill's policy towards Russia.

A

Winston's attitude to Russian affairs, and his eagerness to carry on the war there, did much damage to his reputation, still smirched in the public view by the legends of Antwerp and the Dardanelles. Left wing Labour which looked on the Bolsheviks, despite their barbarities to the aristocracy, the Church and the bourgeoisie as champions of the workers and the under-dog denounced Churchill as a reactionary enemy of the working class. Even those on the Right, who shared his views about Bolshevism, were angry with him for trying to involve the country in another war, just when it was settling down to peace. Winston could argue a powerful case for his attitude; but the instinct and common-sense of the nation were opposed to him. Today, in retrospect, one can see more surely that they were right and he was wrong in his attitude.

Thompson, M. (1965) *The Life and Times of Winston Churchill*, Odhams.

B

The [Russian] episode demonstrated that the features of Churchill's policy that his critics had found disagreeable in the past had not really changed. He had rushed into a highly complex situation with only a general and superficial understanding of its difficulties. The episode brought him very little credit either inside or outside the government.

Rhodes James, R. (1970) *Churchill, A Study in Failure*, p. 158. Penguin.

C

Eighty years later, with the horrific story of Communist Russia behind us, the reader may conclude that Churchill was not so silly after all. The fate of the Russian royal family really distressed him. All through his life he showed a principled respect for the institution of monarchy. He felt with regard to the Tsarist officers, a chivalrous obligation not to let them down. Much of what he said was sensible. He correctly understood the miseries that Bolshevism would bring upon the Russian people. There are limits to what a nation can do for even the most attractive of foreign causes, and it is a measure of Churchill's passion that he could not see them.

Best, G. (2002) *Churchill: A Study in Greatness*. Penguin.

Attitude to Russia and Communism

Sources

A

On 17 March 1919 Churchill told his colleagues,

The War Cabinet must face the fact that the North of Russia would be over-run by the Bolsheviks and many people would be murdered...It was idle to think that we should escape by sitting still and doing nothing. Bolshevism was not sitting still and unless the tide were resisted it would roll over Siberia until it reached the Japanese. ...the Baltic States would be attacked and submerged. No doubt that when all the resources friendly to us had been scattered, and when India was threatened, the Western powers would bestir themselves.

B

In July 1919 Churchill told them that he:

... hoped the Cabinet would realise that practically the whole strength of the Bolsheviks was directed against Denikin and Kolchak [the White military leaders] and if the forces of these two men were put out of action the Bolsheviks would assemble some 60,000 men with which to spread their doctrines and ravages against smaller States, such as the Baltic provinces, Czechoslovakia and Rumania, with whose interests we were identified.'

Sources A and B: R. Rhodes James, (1970) *Churchill, A Study in Failure* Penguin.

Gallipoli

but manifestly very reluctant, assent to the undertaking, not merely to have invited Lord Fisher and Sir Arthur Wilson to express their views freely to the [War] Council, but further to have insisted on their doing so, in order that the Ministerial members might be placed in full possession of all the arguments for and against the enterprise. We have not the least doubt that, in speaking at the Council, Mr Churchill thought that he was correctly representing the collective views of the Admiralty experts. But, without in any way wishing to impugn his good faith, it seems clear that he was carried away by his sanguine temperament and his firm belief in the success of the undertaking which he advocated. Although none of his expert advisers absolutely expressed dissent, all the evidence laid before us leads us to the conclusion that Mr Churchill had obtained their support to a less extent than he himself imagined.

Source B: Churchill wrote the following about the episode in *The World Crisis*, published in 1923

Upon me more than any other person the responsibility for the Dardanelles and all that it involved has been cast. Upon me fell almost exclusively the fierce war-time censures of Press and Public. Upon me alone among the high authorities concerned was the penalty inflicted – not of loss of office, for that is a petty thing – but of interruption and deprivation of control while the fate of the enterprise was still in suspense . . . as will be seen, I accept the fullest responsibility for all that I did and had the power to do.

Source C: Churchill writing about Lord Fisher's withdrawal of support for the Dardanelles plan, in *The World Crisis*

I am in no way concealing the great and continuous pressure which I put upon the old Admiral. This pressure was reinforced by Lord Kitchener's personal influence, by the collective opinion of the War Council, and by the authoritative decision of the Prime Minister . . . Was it wrong to put this pressure upon the First Sea Lord? I cannot think so. War is a business of terrible pressures, and persons who take part in it must fail if they are not strong enough to withstand them. As a mere politician and civilian, I would never have agreed to the Dardanelles project if I had not believed in it . . . Had I been in Lord Fisher's position and held his views, I would have refused point blank . . . First Sea Lords have to stand up to facts and take their decisions resolutely.

Source D: extract from 'The Gallipoli Memorial Lecture', given by Robert O'Neill, 1990

By early November 1914 it was clear that the traditional Cabinet system was in difficulty in conducting a major war. Churchill's order to bombard the Turkish forts at

the entrance to the Dardanelles was given without Cabinet discussion, yet it was a major act of policy which carried consequences rightly called . . . 'far-reaching and unfortunate' . . . The key decisions regarding the escalation of the attack to the level of a major amphibious operation were taken piecemeal by three men, Churchill, Kitchener and Asquith, who failed properly to examine the real difficulty of what they were attempting and the implications of meeting stout resistance . . . Churchill was culpable in several ways. He played a dominant role in a slipshod decision-making process. He manipulated the words of his subordinates such as the unfortunate Admiral Carden in order to get his way with Asquith and Kitchener. He bulldozed everyone from the Prime Minister through to Carden and de Roebuck to ensure his wishes were translated into action. Yet he did the nation and the Empire a service in hatching a brilliant alternative strategy. Abortive though the Dardanelles offensive proved, it was none the less the right sort of alternative to look for. The ultimate cause of the tragedy that we commemorate tonight was the lack of tough-minded, confident, well-informed people at Cabinet level who would criticise Churchill's ideas as he formed them. For want of critics one of Britain's best strategic minds led the Empire to disaster.

Source E: one of the historians of the Gallipoli campaign, Robert Rhodes James, assesses Churchill's responsibility for its failure

Its 'genesis' lay entirely with Churchill. His eyes had been on the Dardanelles from the moment that Turkish intervention on the German side appeared probable; he had been the first to call for professional views on the military problems involved in an attack on the Gallipoli Peninsula; he had been the first to urge such an operation . . . While it is reasonable for Churchill's admirers to applaud his strategic genius, it is hardly reasonable for them, almost in the same breath, to cast the burden of failure upon his advisers. This does not excuse Fisher and his colleagues for their responsibility . . . But the impelling force was Churchill's; the initiative was solely his; and the responsibility for what ensued must be principally his.

Source A: an extract from the First Report of the Dardanelles Commission, published in 1917

There can be no doubt that at the two meetings on January 28th, Mr Churchill strongly advocated the adoption of the Dardanelles enterprise . . . We think that, considering what Mr Churchill knew of the opinions entertained by Lord Fisher and Sir Arthur Wilson [Admiral of the Fleet], and considering also the fact that the other experts at the Admiralty who had been consulted, although they assented to an attack on the outer forts of the Dardanelles . . . , had not done so with any great cordiality or enthusiasm, he ought, instead of urging Lord Fisher, as he seems to have done at the private meeting after luncheon on January 28th, to give a silent,