

## CHAPTER V

### EARLY PROBLEMS OF THE HOME FRONT

FOR most Australians except those whose near relatives or friends had enlisted, even the raising of the A.I.F. was hardly more than a side issue as compared with the progress of the war in Europe on which—as even in the Second World War—they felt that their fate and the fate of most other nations primarily depended. Never, perhaps, was a general election less welcome than that which occurred throughout Australia on September 5th. The Liberals (the party of the Right), who were in office, had expected success largely on the ground that in an "Empire" crisis, and for the conduct of such a war, the floating voter would trust them rather than the Left. But in this issue the Labour party was immensely helped by the character of its two main leaders. Its official leader, Andrew Fisher—a Scot, and like his opponent, Joseph Cook, formerly a miner—was known to be a man of high integrity and, for all his Australian nationalism, a firm supporter of the British Commonwealth. The genius of the party, William Morris Hughes—a Welshman born, who had tried many trades and succeeded remarkably in his later ones, as trades-union leader, politician, barrister, and journalist—had, long before this war, placed beyond doubt his enthusiasm for the common defence of the Empire. A courageous realist, he had flung himself into the movement for universal service. Throughout the election, while most others spoke of local issues, he asked for unity in the war effort and suggested a truce between the parties, and the cancelling of the dissolution—which his opponents refused.

To an extent that surprised even its own supporters, Labour swept the polls, winning 31 of the 36 seats in the Senate and 42 of the 75 in the House of Representatives. Andrew Fisher became Prime Minister and Treasurer, and W. M. Hughes Attorney-General. The Defence Department was given to Senator George Foster Pearce, a much abler head than was generally recognised, most careful in giving his decisions, and thereafter most loyal to those charged with carrying them out.<sup>1</sup> Mr F. G. Tudor became Minister for Trade and Customs—a post of much importance in view of the vast changes due to transport needs and the eventual system of priorities in the Empire's trade, the immense world-wide organisation of embargoes, "black" and "white" lists, and the other means gradually developed in order to direct supplies to the Allies and to enforce the blockade of Germany.

For, though, as stated above, in the exciting news from Paris and the Marne many Australians barely noted events on their local stage, both this government and the one that it displaced had almost daily to face unprecedented problems. It was commonly supposed that the outbreak of a great war would bring financial crisis. The Stock Exchanges closed (and remained so for six or seven weeks, until the situation was clearer). Almost automatically there came the beginning of a rush of nervous depositors on the savings banks; many folk, however, paid in their money again almost immediately—a few were reported to have had it stolen before they could do so. The people's good sense quickly ended this agitation. But in the last days of peace and the first days of war a great part of oversea shipping came to a standstill, German steamers fleeing to their own or neutral ports, British ones waiting till the command of the seas and conditions of insurance became clearer. Sea freights rose. The wool

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<sup>1</sup> From July 1915 the Navy Department was separated from Defence, and given to another Minister. For short biographies of these ministers see *Vol. XI, pp 38 and 42-51.*

trade with Germany ceased; other European buyers cancelled their orders. Wool prices fell and sales were postponed. Industries dependent on wool became slack and unemployment increased. Many other exports stopped—the oversea coal trade, the trade in metals between Broken Hill and Germany, the export of pearl shell and opals. On the other hand Australian importing houses began to cancel their purchases of British cottons and other goods. The danger of panic, or at least of wild speculation, might have been extreme.

Throughout this, as in later crises of the war, the loosely knit organisation of the British Empire worked extraordinarily well. The Dominion governments and peoples usually looked to the British government for guidance, themselves keeping their heads and quietly meeting each problem as it arose—always in close consultation with the Mother Country. At the request of the British government, Australian importers were asked not “unduly or hurriedly” to reduce their orders—“if we tide over the next few weeks things will probably improve”. Thus began the policy of “business as usual”, an admirable rule in that crisis although later it became dangerous and was modified or abandoned.

Most fortunately for all concerned the British Committee of Imperial Defence had recently studied the problems of trade and shipping, and was able to recommend well-considered solutions. One of its plans, approved and announced on the night when war began, brought immediate relief in the most vital matter of the Empire's shipping. Premiums for insurance against war risks at sea rose at one stage to as high as 20 per cent, but the problem was solved by the British government's undertaking to shoulder four-fifths of the risk—an undertaking which, on request, it extended to ships registered in other parts of the Empire. As stated in the previous chapter, the sea battle that was to decide the command of the sea never came; the German staff decided that it could not take the

risk, and kept its High Seas fleet in port so that it would remain a constant threat—the British Navy had to keep watch on it and to clear German cruisers from the seas. Despite all dangers the sea remained open for British traffic which, with the British scheme of insurance, presently moved almost as freely as in peace-time.

Second to maintaining the flow of materials for the Allies was the task of stopping the flow to their enemies. On the first day of the war the British government by proclamation made direct trade with the enemy illegal. To prevent materials of war from reaching him through neutrals, lists of "absolute" and "conditional" contraband were published. But the Committee of Imperial Defence had also studied beforehand the question of what foodstuffs and raw materials were likely to be most urgently needed at home or by an enemy, and on the same day it prohibited or restricted the export from Britain of any of these. Shortly afterwards, as the Empire's sea trade was moving again, it asked the Dominion governments to take certain similar steps—Australia was requested in mid-August to hold up any cargo of wool destined for European neutrals unless satisfied that the wool was not intended for Germany or Austria; and to send Australia's surplus foodstuffs to England.

There had been a bad season in Australia; the government was anxious as to food supplies, and immediately after the outbreak of war the Cook government took the very wise step of calling the Premiers of the six States, as well as the Opposition leaders, Mr Fisher and Mr Hughes, into conference in Melbourne on August 11th-14th to consider this and other problems. An important object was to prevent any "cornering" or other speculation in foodstuffs. The power to do so at that time lay with the States. The government of New South Wales set up, by a special law, a commission to control "necessary commodities"; and the Federal government appointed a royal commission, with Alfred Deakin as chairman, to

study the food supply. On its advice the appeals from Great Britain were met by forbidding, except with special leave, the export of meat to countries outside the Empire, and of wheat and flour to any country except Britain. In general similar restrictions were later applied to wool, wheat, hides and most of the important exports, the restrictions being tightened or relaxed according to British or Australian needs. At times Australian wool was allowed to be sold to the United States, a neutral power, the best customer at that time outside Great Britain; American manufacturers agreed to use it in their own mills and, further, to discourage the export even of American wool.

The urgent need of such measures may be illustrated by the fact that, in the Pacific, German staff agencies, established in neutral islands and in countries bordering that ocean, were then making desperate efforts to coal the cruisers and merchant cruisers that for some time infested it—and two of which were ordered to raid Australian trade; and it was reported that coal from Newcastle in New South Wales, exported, of course, to neutral countries, had come into German possession. The necessity for another measure, the strict censorship maintained in Australia as to *troop movements*, is illustrated by the fact that through some leakage—possibly through neutrals reaching Java—reports of the projected sailing of the Australian and New Zealand contingent reached newspapers, apparently in the islands, and carried the information to the most dangerous German raider in the Pacific, the *Emden*, but fortunately gave her captain no useful clue as to the time or the route.<sup>2</sup>

Other precautions never before taken in Australia,

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<sup>2</sup> Her Captain, von Muller, himself wrote afterwards: "From newspapers which had been found in the ships we had met, and from utterances of the hangers-on of the crews of the captured ships, I concluded that, after the outbreak of war, transport of troops from India to France had taken place, and that troops would be shipped thither also from Australia and New Zealand."

but for which the need quickly became obvious, were the internment of German and other enemy reservists then in Australia and the keeping of at least some kind of contact with other enemy citizens. At first many of the reservists were set free again on giving their parole, and other enemy nationals were merely ordered to give their addresses to the police. But as the methods adopted by the German leaders in Europe took on some of the uglier characteristics of "total" war, the precautions became stricter. All reservists, and others whose conduct was unsatisfactory or suspicious, were interned. On New Year's Day 1915, a murderous outbreak by two Turks at Broken Hill<sup>3</sup> stirred feeling there against aliens. But, despite the efforts of the German government to keep Germans in other countries under its own influence and allegiance, there was—except in America—no "fifth column" activity comparable to that organised by the Nazis in and before World War II; consequently registration of all aliens was not introduced in Australia until the third year of war.

Far more vigorous was the campaign against German trade; in this respect Australia led the Allies, the heart and soul of the activity being, from first to last, W. M. Hughes. Before the war German trade throughout the British Empire—which, in general, was free to it—had advanced with such leaps that it was a current joke that Germany before long would "possess" the Empire by peaceful penetration. Mr Hughes was determined to rid Australia—and, if possible, the Empire—of German commercial influences, both by transferring the local agencies to British control and by establishing in British lands those industries in which Germans held a monopoly. Above all he objected to the control won by German companies over the Australian base-metal industry. This control had been obtained by very high skill, both in

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<sup>3</sup> The details of this fight are given in *Vol. XI, p. 111.*

treating ores and in establishing world-wide organisation, and it had probably helped the German government to build up stocks important for war manufacture. Mr Hughes was determined not merely to stop the traffic with Germany but to transfer the industry to British or Australian hands.

These drastic steps could be completed only by inducing the Australian and British Parliaments to pass special laws—in which Mr Hughes eventually succeeded. But for most war-time measures the Federal government relied on the War Precautions Act, brought in by the Fisher Ministry two months after the outbreak of war in order to enable it to take all kinds of precautions never thought of in peace-time—and indeed beyond its peace-time powers. The Australian Federal constitution proved admirably flexible for the extraordinary needs of war, for which a federation is normally too weak and slow in action. Fortunately the clause giving to the Federal Parliament power to make laws for the country's defence enabled the government to be virtually unified in war-time; and by the War Precautions Act—similar to the famous DORA (Defence of Realm Act) in Great Britain—the Federal Parliament practically handed on that power to the central government during the war. From 29th October 1914, when the act was passed, the Federal government could make and enforce almost any regulation that it desired, provided that the projected action was not disallowed by the High Court of Australia as unconstitutional.

It was not at first clear how far the High Court would agree with the government as to what action was genuinely helpful for defence. In 1916, however, when a lawsuit arose over its fixing of the price of bread,<sup>4</sup> and the High Court upheld the regulation, it became evident that the High Court would confirm the government's

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<sup>4</sup> In the case of *Farey v. Burvett*. See Vol. XI, pp. 642-3.

power to regulate in respect of everything that might reasonably be held to contribute to victory or defence. In the case in question, obviously the price of bread by affecting public health or morale might affect the result of the war.

Price-fixing, however, did not come until 1916; in the early days the declaration of the Federal and State governments that they would allow no cornering or profiteering in foodstuffs and other necessaries possibly helped somewhat to keep prices from rising steeply in the early months of the war.

Mr Joseph Cook and the State Premiers when they met on August 11th-14th had to face also some big problems of finance. As already mentioned, the Australian States had of late been rapidly developing their railways, irrigation dams and other national facilities with money borrowed in London. They could not suddenly close down these works without creating waste and unemployment. At that time the appeal from Britain was for business as usual for the next few weeks. The Australian government telegraphed that it would continue public works "at their full current volume" and, if necessary, place its credit behind the States and banks to encourage employment. It soon became clear to the succeeding Prime Minister and Treasurer, Mr Fisher, that London would need all its money for the huge effort of war; the British government was refusing to authorise much proposed expenditure on works required by British towns and counties. Eventually it agreed to lend the Australian government for war purposes £18 million from the next British loan; this enabled the Australian government to lend its States the same amount from the Australian note issue. Later the British government permitted the State governments of Australia to borrow in London to complete works already started, or to meet earlier loans when due, but not for new works or extensions—these being the same restrictions that were imposed on local

government bodies in Great Britain. Ultimately the Federal government undertook all borrowings in London on behalf of most of the Australian States—New South Wales alone standing out.

With the cost of the war to the Mother Country growing enormously from month to month, the British Chancellor of the Exchequer was forced in June 1915 to point out that there must be in the Dominions considerable private funds which were not being invested for war purposes, which might readily be subscribed for local war loans. The British government offered to guarantee such loans, if desired.

The Federal government did not take advantage of this offer. Actually it had already decided to float a loan in Australia and it now realised that for its main war expenditure it would have to rely on its own people. In war, as previously in the building up of the Australian Navy, Andrew Fisher was determined to pay as much as possible of the cost out of revenue. But as the Federal revenue had till then been derived almost entirely from customs (of which part was returned as a subsidy to the States) he now had to introduce several direct taxes, the first of these, brought in early in the war, being a succession duty—a Federal income tax was not thought necessary until 1915-16. In the first year of war the Federal government's own revenue was £22 million, of which only £1 million was spent on war services, £14 million of the total war cost for that year (£15 million) coming from the British loan.

But the narrative of the home front has here far outpaced that of the fighting services. At the beginning of November 1914, when the first contingent left Albany, questions of taxation and finance, and even of trade, caused little concern to the Australian public. The attention of the whole people, irrespective of class, religion, race, or any other normal division, was concentrated, as already stated on the shocking initial disasters of the

war in Europe, the retreat from Mons, the heartening recovery—by a bare margin—on the Marne, the horrors in Belgium, the swift advance and then stoppage of the Russian “steam roller”, the first struggle at Ypres. Australians were still rushing to enlist; fresh troops—a fourth infantry brigade, two more light horse brigades, hospitals, veterinary, bakery, and butchery units were sent. Funds were started for relief of Belgians and for Red Cross aid for the British and, almost by afterthought, for Australia’s own troops. By Christmas 1914 over £1 million had been collected, and these funds rapidly grew. An Australian branch of the British Red Cross Society, with a division in each State, was launched by Lady Helen Munro-Ferguson, wife of the Governor-General; all over Australia women made comforts for the troops in the battle that swayed on the Western Front.

Meanwhile, without the least doubt as to the outcome of that desperate struggle but eager to be in it before the main fighting of the war should be over, the Australian and New Zealand soldiers on their transports drilled and were lectured on the decks, or groomed and exercised their horses and cleaned the stalls, as the thirty-eight ships slowly heaved and dipped in the tropical seas.