

B R I T A I N
A N D T H E
W O R L D
A N O U T L I N E O F
RECONSTRUCTION
PROBLEMS
B Y
H. A. WYNDHAM.

BRITAIN AND THE WORLD
"Looking Forward" Pamphlets, No. 1

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BRITAIN AND THE WORLD

AN OUTLINE OF
RECONSTRUCTION PROBLEMS

by
The Hon. H. A. WYNDHAM

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ROYAL INSTITUTE
OF INTERNATIONAL AFFAIRS

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EDITORIAL NOTE

Under the general title of "Looking Forward" the Royal Institute of International Affairs is publishing a series of pamphlets on the international aspects of reconstruction. The pamphlets are concerned with basic issues and are intended to stimulate thought and discussion. Their object, therefore, is to present problems rather than to solve them, though writers will be free to express their own opinions on the subjects they discuss. While no attempt has been made to impose uniformity of treatment on contributors to the series, they have been advised to aim at clearness of presentation, to avoid technicalities as far as possible, and to explain those which they feel compelled to use. It is hoped that by the assembly of the facts, often complex, and by their arrangement in reasonable perspective, readers will be provided with the material for sound judgment.

International Law by Norman Bentwich will be published shortly after this pamphlet. The following are in the press: *Sovereignty for the Common Man* by C. A. W. Manning; *What is a Nation?* by Harold Stannard.

HAROLD STANNARD,
General Editor.

Chapter I

BRITAIN IN THE PRE-WAR WORLD

EUROPE AND THE MIDDLE EAST

A SURVEY such as this needs a level or basic line from which to measure the relative importance of objects. The sea serves this purpose in geography. What is its equivalent in Britain's international relations? Principles of policy, clearly stated and faithfully upheld, are as stable in their relations to the changing circumstances of human affairs as is the surface of the sea in geography to the uneven contours of land. They are basic, they represent the level at which Britain's action will be constant. There has been such a level in Britain's attitude towards Europe. She was an island; her security could therefore be ensured by her navy; and that navy as it grew in strength and achieved command of the sea was the foundation of her Empire. Sea power carried British enterprises and interests farther and farther afield but Britain could never detach herself wholly from Europe partly because she lay so close to it, partly because colonial questions were decided on its battlefields. Therefore the principles of policy which she sought, the level at which she aimed, needed to be such as would relate her permanent and vital commitments overseas with an interest in Europe which was uncertain but might at times of crisis become predominant. A balance of power in Europe, a naval supremacy, a freedom of trade and a freedom of migration fulfilled these requirements. The first, because, while avoiding any permanent entanglement in continental affairs, it left Britain at liberty to throw in her weight against any Power threatening to upset the equilibrium.¹ The second, because it gave her the power to make her will effective. The last two, because through

¹ In 1870 Mr Gladstone interpreted even the Treaty of London of 1839, guaranteeing the neutrality of Belgium, as giving Britain the right to interfere, but as not imposing any obligation to do so.

them she became the pioneer of the great nineteenth-century European overseas expansion, while her fleet was a security of world peace. Thus a dualism developed in her external policy—of abstention from European commitments and concentration on those overseas.

After the turn of the century, when the unification of Germany under the blood and iron influence of Prussia had upset these levels by establishing in the centre of Europe a State whose military and industrial power congealed the former delicacy of balance into two opposing alliances, Britain bound herself to one by an understanding with France which came to involve military commitments. At the same time her alliance with Japan facilitated a concentration of the fleet in the North Sea. For forty years Britain has been a European Power with admitted and gradually increasing defensive obligations to western European democracies. It is a long way from the Entente Cordiale to Locarno and perhaps an even longer way from Locarno to General Smuts's suggestion of a Britain permanently associated with the democracies fringing Europe's western coast line.

After the first World War President Wilson endeavoured to set new levels for the future. They were based on the restoration of boundaries violated by Germany, on the creation of a number of succession States, "in such a way as to satisfy all well-defined national aspirations," on the settlement of colonial claims "in accordance with the interests of the people concerned," and on the establishment of a League of Nations "for the purpose of affording mutual guarantees to great and small nations alike." They proclaimed the freedom of the seas, the reduction of armaments and "the destruction of arbitrary power." They condemned fiscal discriminations, even against "those to whom we do not wish to be just," deprecated the protection of special interests not consistent with the interest of all, and recommended the removal as

far as possible of all economic barriers and the establishment of equality of trading conditions among all nations consenting to the peace. They could be summarized as security of self-determined national States through automatic collective sanctions.

The peace treaties negotiated on these principles, while making only minor territorial changes in western Europe, revolutionized eastern Europe by establishing, at the expense of the former German, Russian, and Austro-Hungarian Empires, a cordon extending through a chain of new States, Finland, the three Baltic republics, Poland and Czechoslovakia, to a much reduced Austria and a dissected Hungary, to a narrowed Bulgaria, a greatly enlarged Rumania, a new Yugoslavia and an expanded Greece. All the Succession States, as they were called, fulfilled, so far as was practicable, the condition of national self-determination, and they served as a barrier, under the collective security of the League of Nations, against any recrudescence of German aggression towards the East. They failed of this purpose because the security was insufficient. The League was never able to command with certainty the necessary preponderance of force. The universal obligation it imposed on its members was too general and too undefined to be translated readily into effective action, while its rule of unanimity, by giving the smallest Power an equal vote with the largest, involved a cumbrousness of procedure and an inequality of liability that were hindrances to the handling of international crises. It became evident, therefore, that if a collective security system was to be in a position to command adequate forces it must not aspire to be universal. If it set out to be universal it must rely on other sanctions than force.

The Briand-Kellogg Pact of 1928, recognizing this dilemma, chose the forceless alternative. It abstained from placing on its signatories any obligation to wage war against an

aggressor and left them to succour the innocent party as they pleased. A number of regional arrangements were based on the other alternative of limited commitment. The Locarno Treaties, to which the British Dominions were not parties, included guarantees of the Franco-German and Belgo-German frontiers signed by Germany, France, Belgium, Britain and Italy; arbitration treaties between Germany and Poland, and Germany and Czechoslovakia; and Franco-Polish and Franco-Czechoslovak treaties of mutual assistance in the event of a German attack. But Britain was a party only to the first of these undertakings. She confined her obligations to western Europe, although refusing to accede to the German demand for a free hand towards the east in consideration for disinterestedness in the west. She adhered to the same limitation ten years later, when the formation of an eastern Locarno, linked to the western, was attempted. Nor did she depart from it until her guarantees to Poland, Rumania and Greece in 1939. To none of them was any Dominion a party.

The creation of new States out of old Empires was repeated in the Middle East, though here the unexpected rise of a Turkish national State under energetic leadership prevented the execution of the terms originally imposed on Turkey and thus gave dissatisfied elements in Europe clear evidence of the limitations on the victor's power to turn lines of maps into political realities. Of States built out of the ruins of the Turkish Empire five emerged as mandated territories—Iraq, Palestine, and Transjordan under Britain, Syria and Lebanon under France. Their establishment inspired in their inhabitants a national self-consciousness all the more active because not yet fully satisfied. Iraq, however, was advanced to sovereign status in 1932 under a defensive alliance with Britain. Similar treaties were negotiated between France and Syria and Lebanon in 1936, but had not been ratified when the war broke out. No such arrangement was possible with

Palestine, because the mandate required the development of a Jewish National Home within its borders, and so raised a vexatious problem that more than any other excited Arab resentment and provided fuel for Arab nationalist propaganda. On the other hand, Transjordan, although part of the Palestine mandated area, was excluded from the National Home, and in May 1939 its self-government was advanced by the formation of a Council of Ministers responsible to its Emir. Thus in 1939 Arab aspirations had been met in Iraq, and partly in Transjordan, while they were impeded in Palestine by the Jewish National Home, and in Syria and Lebanon by the delay in ratifying the agreements of 1936.

Egypt became a British Protectorate on the fall of the Turkish Empire, but was advanced to sovereign status in 1922, except for four matters reserved to the discretion of the British Government—the defence of imperial communications; the defence of Egypt itself; the protection of foreign interests and minorities; and the future administration of the Sudan. This was the position until 1936, when, under the pressure of Italy's invasion of Abyssinia, a military alliance with Britain was substituted. By this instrument the King of Egypt undertook to furnish his ally "with all the facilities and assistance in his power, including the use of his ports, aerodromes, and means of communication," and to make special arrangements for the concentration of the local British forces in the Suez Canal zone. Finally an Anglo-Turkish Pact of May 1939 pledged the two countries to mutual aid and co-operation in the event of an act of aggression leading to war in the Mediterranean.

As a result of these post-war settlements, a long and variegated column of twenty independent or mandatory States extended obliquely from the Arctic Ocean to the Persian Gulf along the west and south-west confines of the Union of Soviet Socialist Republics. The centre of the column was

the scene of the outbreak of both World Wars, and within it are concentrated the most intractable problems of Europe, save for the overshadowing question of Germany. The Soviet Union, being contiguous with the whole length of the column, was more closely concerned with the future of all its parts than was the British Commonwealth, whose interest in its northern extremity was less than in its south-eastern section, where the repercussions of events affected the peace and security of the main arterial route of British imperial communications through the Mediterranean and the Suez Canal.

Unlike its Tsarist predecessor, the U.S.S.R. allowed a cultural and educational freedom to the Republics of which it is composed, but did not, until 1944, extend the privilege to other liberties that might impair its unity. The assumption of control over the defences of Estonia, Latvia and Lithuania in 1939 was no doubt inspired by the need of preparing against a possible German attack, despite the pact of non-aggression made with the Reich. The invasion of Poland from the east had the same purpose of restoring Russian territory and counteracting the incursion of Germany from the west. Moreover, in July 1940 elections were held in the Baltic States and over ninety per cent of the electorates were stated to have supported the "Popular Parties," with the result that new National Assemblies voted unanimously in favour of their countries becoming Soviet Republics united to the U.S.S.R.

On the frontier settlements in that part of the column between the Baltic and the Black Sea will depend also the future composition of the German and Polish States and of the succession States of the Austro-Hungarian Empire. The possibility of some form of Danubian federation and the problem of control over the Dardanelles are questions in the answers to which the Commonwealth cannot be disinterested.

By 1939 the position in the western and central Mediterranean had altered to the disadvantage of the victors of 1918. In Spain the Nationalists had owed their victory in the Civil War largely to the barbarities of the German "Condor" Division and to eighty thousand Italian troops; and the adhesion of General Franco's Government in April 1939 to the Anti-Comintern Pact, and its withdrawal from the League of Nations as a "branch office of Bolshevism," seemed to range it definitely alongside the Axis Powers and so to threaten Gibraltar. But the signature of the Russo-German Pact came as a severe shock to the Spanish "Catholic spirit"; and on the outbreak of war Spain declared her strictest neutrality. Her attitude was modified to "non-belligerency" after Germany had declared war on Russia and a Spanish division was recruited for service on the eastern front; but hardened to neutrality again as the tide of war turned against the Germans and the economic pressure of the Western Powers increased. Italy, after her conquest of Abyssinia, signed in April 1939 a "Pact of Steel" with Germany, and so proclaimed her disavowal of her agreement of 1938 with Great Britain concerning their respective interests in the Mediterranean and the Middle East.

In these circumstances the Mediterranean route became closed after Italy entered the war on the side of Germany in June 1940, and shipping had to be diverted round the Cape of Good Hope.

FREEDOM OF TRADE

The principle of freedom of trade revolutionized Great Britain's economy. She became predominantly industrial, with her factories and her people depending upon imported raw materials and food, drawn from territories to which her emigrants went as colonists, administrators or developers. Her shipping became the principal carrier of the world's trade as well as of her own, and her fleet kept the seas open for

all. The overseas investments she made out of the balances accruing to her from these exchanges and services, with gold as their standard of value, with currencies tied to it and freely exchangeable at fixed rates, and with London as their clearing house, encouraged both the sale of her manufactures and the production of the goods she wished to import in payment for her exports, her investments and her shipping services. Unlike the old mercantile system the exchange was not bilateral, but each original transaction could be multiplied into a number of related transactions before being closed. Thus the world was introduced to a system of international economics whose stability has been likened to that of a spinning top, depending as it did upon three premises: the free exchange of currencies at fixed rates in relation to gold; the constant expansion of production and trade, secured by the opening of new territories and the discovery of new supplies of gold, so as to allow of an equivalent expansion of cash and credit; and the free movement of goods, of capital, and also of people from depressed countries to regions of greater opportunity.

One of the first weaknesses appearing in this structure was a periodic alternation of prosperity and depression due to the nature of capital investments. These, being single unrepeatable operations, lasting for a considerable time after completion, and not evenly distributed in time, tended to expand more in certain periods and less in others, and alternately rose and fell so as to generate a "trade cycle" of boom and depression. The same phenomenon affected primary commodities. The demand for a raw material caused it to be produced in rising quantities, until the supply overflowed the market with depressing effects on prices and on producers. British colonies suffered in this respect. Nigeria, for example, in 1930 supplied 50 per cent of the world export of palm oil and 46 per cent of palm kernels, from trees

grown by African cultivators. In 1938, owing to the competition of newly developed commercial plantations in the Netherlands East Indies, the Nigerian proportion of palm oil fell to 22 per cent of a market nearly double in size, at a price more than 50 per cent lower. The Gold Coast in 1930 supplied 40 per cent of the world's export of cocoa. In 1938 its proportion was still as high as 35 per cent. But the price in the intervening years fluctuated spasmodically between that of 1931 and 50 per cent below it. The dependence of the West Indies on primary exports has been notorious. With the single exception of pimento, the price of every product of the islands has been settled in overseas markets. Until 1939 the preoccupation of Malaya with rubber resulted in only one-third of the country's consumption of rice being grown locally.

This scheme of an industrial centre exporting manufactures and developing colonial possessions as producers of raw materials, has caused the Empire to be accused of having exploited its dependencies without proper regard for their independent interest, and we must pause to examine this imputation. Its justice depends on the answer to the question whether imperial policy has promoted as great an economic and social advance as was possible, given the natural resources and conditions of each dependency. As British Africa contains two-thirds of the Colonial Empire's total population, we may again take Nigeria, which alone accounts for one-third of it, and the Gold Coast as examples. The first point to be noted about these colonies is their natural poverty. It was no accident that slave labour was for so long Africa's principal export, and that labour is still her most important exchangeable commodity. A century ago the opponents of the slave trade were faced with the difficulty of finding a "just and equitable traffic" to take its place. They realized that until this was accomplished no progress was

possible. The success achieved since then has thus been summed up:

The perverted trade in human lives has long since been driven out of the coastal districts: it has more recently been expelled from the interior. The inhabitants of the country retain possession of their lands: no compulsion has been put upon them to labour under European command: sheltered by British law, they have of their own free will responded to the price inducements of a world-wide market. A "just and equitable traffic" has drawn them from their isolation and made them sharers in the opportunities of the great society of peoples. Wilberforce and Adam Smith would have believed their work well done.¹

Two phrases from this extract deserve notice—"the inhabitants of the country retain possession of their lands," and "they have of their own free will responded to the price inducements of a world-wide market." The figures quoted above of Nigerian palm oil exports are a commentary on both. They illustrate how a rationalized plantation palm oil industry established in the Netherlands East Indies in competition with the indigenous cultivation of Nigeria imposed on the latter the price fluctuations, or trade cycle, of a world-wide market. On the other hand the natural poverty and primitiveness of the Nigerians in some degree protected them from its effects by limiting their wants. Between 80 and 90 per cent of them lived a simple life of subsistence agriculture. Exports were, therefore, the readiest source of economic expansion. Moreover a reliance on them was encouraged by the principle, until recently enforced, that each dependency should be financially self-supporting—a requirement that had the disadvantage of hindering a poor community from starting the reforms and developments that alone held out promise of a permanent increase in its wealth. Here then are two criticisms that are more justified

¹ W. K. Hancock, *Survey of British Commonwealth Affairs*, Vol. II, Part 2, p. 171. Oxford University Press, 1942.

than the general charge of selfish exploitation. Although exports were the most effective means of financing social and political progress, too great a reliance on them, insufficiently balanced by corresponding developments of home consumption and of secondary industries, left the dependencies too vulnerable to the vagaries of the world market. At the same time an overstrict financial orthodoxy hampered their development of other sources of revenue.

A second weakness that became manifest in the level of freedom of trade was that other countries with more limited outlook preferred to build up their own internal economies rather than base them primarily on international exchanges; and with this object proceeded to restrict consumption so far as was possible to home-produced commodities in order to curtail imports, while competing whenever convenient in the export markets. The newly formed German Empire was a pioneer of this economic nationalism, and became Britain's most formidable competitor. The size, organizing capacity and inventive ability of its population admirably fitted it for this purpose. Under the authoritarian and disciplinary influence of Prussia it entered the competitive arena protected from its risks by tariffs, shipping subsidies and other expedients that negated the British conception of the world as potentially a great commercial republic advancing towards a maximum world division of labour. Other countries, notably the United States, followed the same course. Nor did the free system survive within the British Empire itself; and colonies, as they advanced to self-government, cut adrift from the policy of the mother country and protected their incipient industries, subject, however, to a preference in her favour. National, social, and defensive considerations all worked in the same direction and showed that the nineteenth-century cycle of expansion was nearing its end and would be followed by a period of

restrictive interferences with the free flow of world trade.

A State's control is limited to its own territory and it is tempted therein to safeguard the standards of its people and to secure the home production of its essential national requirements. The first World War enormously strengthened such aspirations. Under its all-embracing influence, overseas markets were closed to exporting manufacturers and traders, and importing countries, unable to obtain the goods, developed local industrial and agricultural outputs in their place and, when peace came, demanded protection for them. Home consumers were obliged to forgo the output of factories which were turned over to munitions, with the consequence that a large accumulated demand for commodities and services was released in the home market when the war ended, and caused a boom that collapsed into a slump as soon as it was satisfied, and inspired still further restrictions. Foreign exchanges ceased during the war, and after the peace, had to be resuscitated as best they might in a world whose financial equilibrium had been destroyed by huge political debts involving interest payments for which no returns were receivable, due on an expenditure of capital economically wholly unproductive, to which all investment had been diverted. British overseas investments were reduced by over 22 per cent. There was in addition a general atmosphere of political and social insecurity such as a universal upheaval must engender, and a refugee problem accompanied by interference with migration as a relief for depressed peoples.

In these adverse circumstances the attempt to restore the free exchangeability of currencies at fixed rates in relation to gold failed. The United States of America was the country most competent to reinstate that system, being now the largest international creditor with a large exporting capacity. But the tariff of 1922 showed that it was not prepared to break with its past protectionism and welcome imports.

Hence in the five years of 1920-1924 its creditor balance grew to an average of over £200,000,000 a year, more than half of which it invested abroad. In the next five years the position improved in so far as its creditor balance was halved while the amount invested abroad continued the same. But much of this lending was to primary producing territories whose outputs were already overflowing the absorptive capacity of the markets. Other loans went to European countries, notably to Germany, who used the money to meet reparations payments and to lay the foundations for rearmament, neither of which actions contributed to rectifying unbalanced exchanges. British lending was not less ineffective to this end during the same periods. When, therefore, the great depression of 1929-1933 descended upon the world, drying up United States loans abroad, all hope of restoring the pre-war system vanished and the world was left with nothing to take its place. Instead were substituted a variety of expedients, such as the competitive manipulation of rates of exchange, import quotas, bilateral barter agreements and blocked clearing accounts, conditions which were incompatible with multilateral commerce, and which, as used by Germany, bound the countries of south-east Europe to an economic dependence upon the Reich. Moreover the break-up of the Austro-Hungarian Empire had left to its Succession States an entirely disorganized economy. The Empire had formed a single customs union, with finances and commerce centred in Vienna, and with outlets to export markets, other than those of central Europe, through the Adriatic ports of Fiume and Trieste. Bohemia had been its industrial centre, balancing the agricultural south and east. All these interlocking interests were severed by the disruption; and some more active intervention was needed if the dismembered parts, in their new independence, were not to become, as they did become, easy preys to the economic penetration of the Third Reich.

FREEDOM OF MIGRATION

In approaching British international problems from the level of freedom of migration, the first point to be noted is that 90 per cent of the 50 million emigrants who left Europe between the years 1846 and 1932 crossed the Atlantic to the American Continent—60 per cent going to the United States, 18 per cent to South America, and 12 per cent to Canada and Newfoundland. The remaining 10 per cent went south and east.

Until 1890 the great majority of the 60 per cent who went to the United States came from the United Kingdom and from north-west Europe, including Germany. But thereafter when the Americans began to turn their attention to industrial development, they were glad to welcome the cheaper labour of south and east Europe, including European Russia, the Austro-Hungarian Empire, the Balkan States and Italy. Nor were these countries unwilling contributors of manpower. Their inhabitants, suffering from agrarian poverty and over-population, were readily attracted by the reputed wealth of the new world. But the cheapness of their labour had the countervailing disadvantage of exciting the hostility of the more highly paid local workers, while their rapid increase seemed to threaten the Nordic purity of the Americans. Hence agitations arose against their further ingress. The second point to be noted, therefore, is that migration of Europeans into the United States ceased to be free, and discriminations were made between them according to the countries from which they came.

Italy was a particular sufferer from the closing of this door. Her lack of nearly all the raw materials needed for industries hindered their development as remedies for agrarian over-population; and cheap labour became her staple export. During the decade 1901-1910 over two million Italians entered the United States. During the years preceding the

first world war the emigration roughly balanced the natural increase of the population. During the decade 1921-1930, the effects of the first World War and of the American immigration legislation reduced the number to under half a million, the Italian annual quota under the Act of 1924 being 5,802 (M. R. Davie, *World Immigration*, 1936). The emigration from south-east Europe was less spectacular and never balanced the natural increase of the population.

Turning now to the 10 per cent of the migrants from Europe who sailed south and east, the British among them extended their country's responsibilities in West Africa, reinforced the already established European population of South Africa and made other settlements further north. They helped to bring India, Ceylon, Burma and Malaya within the Commonwealth and to create the Dominions of Australia and New Zealand. They opened up trading relations with China, founding the great free port of Hong Kong and the International Settlement of Shanghai. In the islands of the Pacific they met the American westward expansion that aroused Japan from more than two centuries of self-imposed isolation. Thus, in company with the Dutch in the Netherlands East Indies, the French in Africa and Indo-China, the Belgians in Africa, the Portuguese in Africa and Timor, the Spaniards in the Philippines and the Germans in Africa and Oceania, they completed the circuit of the globe with a great oceanic girdle of European influence.

Outside Australia and New Zealand, which alone in their hemisphere are comparable with the countries to which the 90 per cent of emigrants went, the penetration of European landownership has been greatest in Africa, where it has created a number of plural societies in which, despite the numerical preponderance of the Africans, the leadership and responsibility rest with the Europeans. This situation is not repeated in India nor in any other of the countries bordering

on the lines of European expansion. In some of them, however, the paucity of European migration has been balanced by considerable movements creating Asiatic plural societies. The early exponents of freedom of migration saw nothing objectionable in such minglings of different peoples, whether in countries of European or of non-European settlement. But as the former advanced to self-government, so did they resolve to protect themselves from it. Indian labour was welcome to the plantation industry of Natal. It was unacceptable to the Union of South Africa. The action of Australian States in using non-European labourers led to the first interstate conference, and a law restricting their entry was among the first passed by the Commonwealth after its formation in 1900. A quarter of a century later the discrimination was extended to include cheap labour from south and east Europe. Canada also endowed her Government with elastic powers to regulate the qualifications of those who might be admitted. But a countervailing shift of opinion occurred in those countries from which the excluded had come. While the demand for their labour was active its emigration was not always willingly agreed to. But the transformation of the demand into a movement for exclusion on racial grounds was felt as a national affront. Hence discriminations had to be decently veiled in gentlemen's agreements, doctrines of continuous voyage and vague references to classes undesirable for economic and other reasons.

The objection of Asiatic peoples to racial discriminations was partly inspired by the new nationalism that they acquired through European influences. India is a plural society of Asiatic peoples more divided by race, religion, tongue and social and political organization than is Europe. But the common language, rule of law and national consciousness which the centralizing control of the British Raj has given her are foundations on which her system of self-government

can be constructed. How this may be accomplished is for her people to decide. But two points may here be emphasized. The first decision reached should be one that will ensure the maintenance of a unity by agreement so that India may exercise her proper influence in world affairs. Secondly the unity should be within the British Commonwealth. For the Commonwealth this is of superlative importance. Without India its aspiration to be a community of many races equal in status and opportunity would be emptied of most of its significance and value. Nor is membership less essential to India. Besides strengthening her hand in dealing with the migration question, on which she has the same authority as the other Dominions, it is essential to her defence. Her main external problem has always been invasion from the north-west, and with Burma she watches over the defences to the north-east. Through her is continued the Commonwealth's contact with the Soviet Union, through the Republics of Turkmen, Uzbek and Tadzhik, and its communications southward. Situated in the midst of the Indian Ocean, she commands its western approaches and, with Burma and Malaya, its eastern outlet. She is an essential link in the alternative route round Africa. The Commonwealth can provide the naval, military and air forces needed for the security of this vast area. Without its assistance India and Burma could attempt the task only by indefinitely retarding their social and economic development.

Burma and Malaya, now occupied by Japan, were plural societies of Asiatic migration. Burma contained three main established groups—the indigenous Burmese, who were in a large majority, and immigrant minorities of Indians and Chinese. These latter, together with the British residents, were more influential than the Burmese, the majority of whom lacked both the political experience and the economic power to assume the self-governing control of which the

foundations were laid before the war. But the Indian and Chinese immigrations had awakened the hostility of Burmese nationalism and may in the future create tensions with India and China resembling that between India and the Union of South Africa.

Malaya for its size has been one of the largest centres of migration in the world. Seventy years ago a small scattered indigenous population lived in its forests. At the outbreak of the second World War, it was one of the most prosperous producers of raw materials with a population of about five millions which the census of 1931 showed to be divided between various groups in the following proportions:

Indigenous Malays	18.75
Sumatrans born in Malaya	18.75
Other Malayans	7.2
Chinese	39.0
Indians	14.2
Others	2.1

Here the indigenous Malays were only a small minority and the immigrants a large majority, with the Chinese as the preponderant group. The latter were in the country before the British and discovered the tin mines and worked them. They controlled a large part of the overseas trade. Almost all skilled labour was Chinese. Before the Chinese revolution they had no political connection with their home land; but after the rise of Chinese nationalism the situation changed and a corresponding movement may be started as a rival to Malayan nationalism. The Indians were mostly labourers, but among them were merchants and shop-keepers. The problem therefore of creating a unified Malayan community as a basis for self-government is particularly complicated, and its difficulties have delayed advance.

The independent State of Thailand contains a large Chinese minority forming a separate national group and controlling much of the country's industry and trade. The

principle that Chinese born outside China retain the nationality of their birth and blood increases the suspicion which their presence arouses among the Thais. Hence their immigration has been restricted and their hold on the country's economy has been attacked in a number of anti-Chinese laws.

China, by contrast to all the above, is an antithesis to a plural State. A common culture and family tradition have given her a social integrity independent of any central direction or control. But this state of decentralized unity was a weakness to her in meeting the impact of the European expansion. The progress she has recently made in remedying the defect is shown by comparing her enforced capitulation to Japan's twenty-one demands in 1915 and her resistance to Japanese aggression since 1936. Released from the treaty obligations inherited from the last century, she now ranks as one of the four Great Powers of the United Nations, and after the war will be able to devote herself to establishing an effective central Government and to developing her great resources.

Japan is the opposite to India in uniformity and to China in political centralization. But she suffers from the pressure of her population on the means of subsistence, whereas China and India have larger opportunities for internal expansion. Japan, however, is in advance of both in industrialization. Among the factors of her power, apart from the density of her population, were a high level of modern education, a proved capacity in modern science, an acquired skill, adaptability and discipline, first-rate manufacturing plants and sources of electric power, and banking and commercial institutions of a high order. Her weakness lies in a lack of raw materials.

Japan's alliance of 1902 with Great Britain affected the European balance of power by facilitating the concentration

of the British fleet in the North Sea and secured her support for the Allies against Germany in the first World War. When, therefore, the Covenant of the League of Nations was being negotiated in Paris, Japan took the opportunity to challenge migration discriminations against her nationals by demanding, with China's support, that a declaration of "equal and just treatment for all" should be included in it. This she failed to secure. The racial composition of every State was declared to be within its domestic jurisdiction and consequently outside that of the League. She suffered what she looked upon as a second rebuff when the alliance with Great Britain was replaced by the Washington Treaties of 1922. From the Commonwealth point of view these were preferable to the alliance in that they purported to establish mutual guarantees of the integrity of China, of the open door and of an east Asian security through a limitation of naval armaments allowing to each Power a maritime predominance in its own sphere. This self-denying ordinance, as Mr Stimson called it, by thus giving Japan an unchallenged maritime supremacy in the western Pacific, might perchance have served to assuage the wound to her prestige inflicted by the discriminations, seeing that her case against them had the weakness that her people are not willing emigrants and that she has used such opportunities as were open to them for her own strategic and political purposes. But the United States Immigration Act of 1924 introduced another and still more exasperating irritant, playing into the hands of those intransigent elements in Japanese politics which had been responsible for the demands on China in 1915. In the result none of the expectations of the Washington Treaties were realized. At the same time their terms interfered with any effective military intervention by the United States and Great Britain. Hence, instead of being the starting points of a united constructive policy in east Asia, they became the

shield behind which Japan proceeded to promote her plan of a special prosperity sphere for herself, and they had ceased to have any bearing on the situation when she denounced them in 1936. She has since prejudiced her position on the discrimination issue by her alliance with Nazi Germany, whose extreme doctrine of the "herrenvolk" has outdone any former Anglo-Saxon racial particularism.

Chapter II

BRITAIN IN THE POST-WAR WORLD

THE ATLANTIC CHARTER

IN THE first part of this survey we described the levels of a balance of power in Europe, a naval supremacy, and freedoms of trade and of migration, on which the dualism of British policy was founded, and which failed to prevent the first World War. Europe was the centre of the interdependence of events. Its peace was of universal interest. A realization of these facts inspired the attempt to dissolve the balance of its power in a collective security of all national States, with a general reduction of armaments. Economic rivalries were left to the less mutual level of equality of trading conditions, and the level of the freedom of migration was dropped. The new levels proved inadequate to prevent the second World War.

Bearing this in mind the framers of the Atlantic Charter, in laying down levels for the new world, have proposed the disarmament of the aggressor Powers only, leaving the United Nations armed. On them, therefore, will lie the responsibility of making a peace that will, in the words of the Charter, enable all nations to dwell within their boundaries in freedom from fear and want; and of fulfilling

other commitments—to prevent territorial changes that do not accord with the freely expressed wishes of the people concerned; to restore sovereign rights and self-government to all who have been forcibly deprived of them; and to ensure to all freedom to choose the form of government under which they will live.

The influence needed to ensure and preserve these benefits must be founded on the four major Powers of the United Nations, for they control the necessary bases and forces. Their cooperation has been aptly termed the "Nuclear Alliance" from which may grow the wider and permanent system of general security foreseen in the Atlantic Charter. Three of them—China, the United States and the U.S.S.R.—are large territorial units. The British Empire is scattered over the oceans. Concentrated power, therefore, is not one of its attributes, and yet only in unity of purpose in peace as in war can it exercise its full influence in collaboration with its partners. It is therefore imperative that the machinery of that unity, expressed in the common allegiance to the Crown and in periodical Imperial Conferences, should be developed and strengthened. The means of accomplishing this is discussed in the chapter on the Empire. But it is necessary here to emphasize that both it and any system of alliances must take into account the differences in degree of the repercussion of events on its members.

From this level it is possible to envisage the United Kingdom as being more particularly concerned in future with Europe and especially western Europe, the Mediterranean and North Africa, the Middle East, the Indian Ocean, Africa, the Atlantic, and the Arctic air routes; the United States and Canada with western Europe, the Atlantic and Pacific Oceans, and the Arctic air routes; Australia and New Zealand with the Pacific, East Asia, and the Indian Ocean; China with the same three; India with East Asia, the Indian Ocean, and the

Middle East; the Union of South Africa with Africa, and the Indian and South Atlantic Oceans; Russia with all the regions along her outstretched frontier from north Europe to the Pacific.

The principle of cooperation in regional responsibilities would provide also some solvent of the problem of balancing the leadership of the four major Powers with the rights of the smaller nations. Mr Churchill in his broadcast of March 1943 suggested a Council of Europe, with three of the Great Powers represented on it, and with the European countries, on the analogy of the organization of an army, formed into a number of groups or confederations, the whole making a Council of States and groups of States. A similar organization might eventually emerge in Asia. General Smuts has proposed one for Africa. A Conference, called Pan-American, though Canada is not a member, already exists in America. Other Councils have been proposed for the Pacific and for East Asia. A first step in this direction may perhaps be seen in the European Advisory Commission of Great Britain, Russia and the United States, set up in London by the Moscow Conference, and in the Advisory Council for matters relating to Italy on which the French Committee of National Liberation, Greece and Yugoslavia are represented.

But this picture of regional interests depending for security upon the cooperation and leadership of four Powers, one of which is not yet in a position to play a full part, is criticized in some quarters as both lacking in idealism and too monopolistic of authority and responsibility. The critics would prefer a more universal and democratic, and less specific form of collaboration, based on the Briand-Kellogg-Pact principle of giving equal status to all and committing none to any defined obligation. The resolution of the United States Senate of November 5 is of this nature. It advocates an organization to prevent aggression without prejudicing the

Senate's control over the ratification of any arrangement to this end. Mr Cordell Hull in his broadcast speech of April 13, 1944, added that such an organization must provide for maintaining force, and for institutions and procedures for calling this force into action. The agreement reached at the Moscow Conference more explicitly recognized the responsibility of the four major Powers, declaring that they will use it for the purposes of establishing as soon as possible a general international organization, based on the principle of "the sovereign equality of all peace-loving States," and of bringing about an agreement respecting the regulation of armaments. Thus the new dispensation may grow and adjust itself to the circumstances with which it has to deal, while not ignoring the realities of power nor submitting to the veto of any single member. These issues were further explored at the Dumbarton Oaks Conference.

A wide range of social and economic questions are suited to a more universal functional treatment. The International Labour Organization is an example. The United Nations Conference on Food and Agriculture proposes to follow it in framing its constitution. Civil Aviation may be amenable to the same technique, as was shipping on certain pre-war routes. International cartels or associations to regulate prices and outputs have been common features of industry, but are open to criticism as exercising too great and uncontrolled an economic authority and as using it for restrictive rather than for expansive ends. Of another kind are the international economic agencies created in the war. The "Combined Raw Materials Board" allocates strategic materials controlled by Great Britain and the United States and collaborates with other countries in securing the maximum development and utilization of their raw material resources. The "Combined Production and Resources Board" coordinates the war production programmes of Great Britain, Canada and the United States

into one in order to meet military requirements and essential civilian needs and save shipping space. The "Combined Shipping Adjustment Board" integrates shipping policies and movements. The "Combined Food Board" considers problems concerning the supply, production, transportation and allocation of food and food-producing equipment. To this group belong the United Nations Relief and Rehabilitation Administration and the International Wheat Council, both noticed in the next section.

It is easy to relate these agencies to the collaborative economic levels laid down in the Atlantic Charter and supplementing the old faith in equal trading conditions. They assure to all nations, great and small, victor and vanquished, equal access to the raw materials that they need for their economic prosperity, and express a desire to promote the fullest economic collaboration in order to improve labour conditions and advance social security. Article VII of the Anglo-American Multiple Aid* Agreement of 1942 carries these last two points further by asserting that the settlement of lend-lease obligations shall be "directed to the expansion by appropriate international¹ measures of production, employment and consumption of goods, the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers."

It is from the levels of the Charter and the Moscow Agreements that we propose to survey post-war problems, beginning again with Europe and the Middle East.

EUROPE AND THE MIDDLE EAST

(a) RELIEF AND REHABILITATION

The immediate post-war problem of Europe will be human relief, followed by a transition period of rehabilitation and restoration before the reconstituted national Governments of liberated territories can embark on long-term plans of recon-

struction. The more securely the foundations are laid in the first period the sooner will the relieving nations be able to withdraw. It will therefore be just at the time when they themselves will be preoccupied with their own change over from war to peace that their active intervention in Europe will be most needed and can be most effective.

The United Nations Relief and Rehabilitation Administration, which has been created to be the instrument of this work of regeneration, has divided its activities into four classes of assistance:

1. Relief goods—food, fuel, clothing, etc.
2. Relief services—repatriation of displaced population, medical and welfare work.
3. Rehabilitation goods—seeds, tractors and raw materials in general.
4. Rehabilitation services—water, light, communications, and even schools.

The programme again is divisible into the three stages of all post-war reconstruction work. The first is the immediate measure stage, calling for the supply of the daily requirements of human and animal life together with necessary medical aid. The second is the recreation of self-support, transitional to permanent conditions. This purpose will call for seeds, fertilizers and implements, and the reconstitution of herds. The restoring of industry will be an even longer and more expensive process. Nature can do much to assist farming, and, given good seasons, recovery will be rapid. Industry must be recreated by man alone. Bombing will have left a huge programme of rebuilding houses and factories. It will also have changed the former location of industries. Those of Germany have been spread over a wider area than was contemplated by the Nazi plan of an industrial west fed by an agricultural east. Moreover experience has demonstrated that purely agricultural communities are hampered in equa-

lizing their standards of living with their urban compatriots by the nature of their occupation. Its seasonal character hinders the employment of their full productive labour capacity during the whole year and is subject to too many fluctuations and uncontrollable factors. The advance of mechanization also has reduced its demand on their labour, and they need wider opportunities for their energies. Formerly local industries supplied them, but urban mass production has dammed this outlet. The balance has now to be restored. Finally there will be enormous movements of refugees, prisoners-of-war, labour conscripts and evacuated people, estimated to amount to over 20 millions, whose return to their former homes, although necessary for the work of reconstruction, will be impeded by the damaged condition of communications. The third stage is the reorganization of interdependence through the reconstruction of communications and the restitution of exchanges. The three stages will not, of course, be separated in time, being carried out simultaneously as opportunity serves. The first will be closed by the fulfilment of the second, and with the completion of the third the return of normal conditions will be in sight.

The United Nations Relief and Rehabilitation Administration places responsibility for decisions on policy on a Council composed of representatives of its member Governments with equal voting powers, meeting in regular sessions not less than twice a year. The executive control is reserved to a Central Committee of representatives of the four major Powers. A Director General is its President and, with the Central Committee, is the lynch-pin of the whole organization. Hence the balance between the greater and smaller Powers inclines more to the former. For that reason the plan has been criticized, but it would appear a wise provision, justified by the need for rapidity in decision, and

by the command of the four Powers over the World's resources. The principal suppliers of materials for relief are represented on a standing Committee of Supplies, the recipients of relief on Committees for Europe and for the Far East, the two areas most devastated by the war. Thus the regional principle is realized. There is also a Standing Committee on Financial Control, and Technical Committees on agriculture, displaced persons, health, industrial rehabilitation and welfare. Each member State pledges its full support to the Administration through contributions of funds, materials, equipment, supplies and services. Their capacities will differ. The estimates of food, seeds, fuels, clothing, raw materials, machinery and medical supplies for the first critical six months after liberating the countries under the German yoke, amount to 46 million tons. About half may be obtained from continental Europe. Of the balance, North America is counted on for $9\frac{1}{2}$ million tons, the United Kingdom for $3\frac{1}{2}$ million, southern Europe and the Mediterranean for 6 million, and the rest of the world for 4 million. The International Wheat Council, composed of representatives of the United States, Canada, Australia, the Argentine and the United Kingdom, has been controlling and pooling wheat for the purpose.

Various administrative problems will be encountered in the distribution of relief. The question of priority will be one. The supply of food and other materials may well be insufficient at first. Shall, then, what is available be distributed to all alike, or shall priority be given to those countries that resisted German aggressions? Shall Italy, for example, who has only recently become a co-belligerent with the United Nations, be treated equally with Greece or with Free France who resisted from the first? National feeling will be another. While U.N.R.R.A. will supply the goods, their distribution will be in the hands of national Governments or

local authorities wherever they are in effective control. But European boundaries in many places are in dispute and it may be difficult to decide what authority to acknowledge. Similarly national controversies may arise over the location of industries. U.N.R.R.A. at any rate provides a machinery by which these problems can be resolved through regional discussions. Medical aid will be another unifying influence. Diseases respect no boundaries. The campaign against them must be universal and unhampered by other considerations than their cure and the limitation of their spread.

(b) THE HOT SPRINGS CONFERENCE

Of more permanent import is the United Nations Conference on Food and Agriculture, held at Hot Springs in Virginia from May 18 to June 3, 1943, to which representatives of forty-four allied and friendly nations, covering 80 per cent of the world's population, were invited. It accepted the same three immediate, transitional and long-term stages of recovery, and laid down principles related to the levels of economic collaboration and expansion to govern them. Its short-term measures include the increase of the acreage under crops for human consumption, especially in countries free from enemy interference; and the acceptance by all of a mutual obligation to enlarge production, facilitate transport and distribution, prevent speculative and violent price fluctuations, and promote a progressive balanced extension of production and consumption. During the transition period the improved nutrition of the people should be the first consideration of all agricultural production. Food must be regarded primarily as something to eat rather than to sell. The long-term objectives should aim at maintaining fertility, at protecting crops and stock from disease, and at promoting steady employment. On the consumption side the Conference pointed to poverty as the primary cause of

malnutrition. It is useless to produce more food unless an expansion of world economy creates purchasing power equal to maintain an adequate diet for all. Nor will these objectives suffice unless they are accompanied by an equivalent freedom from the menace of recurrent wars.

(c) MIGRATION

Some lifting of the present bans on migration would be another mitigation of poverty. Their justification as defences of standards of living breaks down when related to the level of the interdependence of events. Certain areas of the world, lying mainly, but not entirely, in the direction taken by the 90 per cent of nineteenth-century emigrants from Europe, are capable of carrying larger populations without seriously affecting their racial integrity or menacing their economic standards; and statesmen in them have recognized that a greater latitude of immigration is desirable. The British Commonwealth and the United States are already cooperating on the refugee problem, especially in respect of the Jews, whose treatment by the Axis Powers has aroused the indignation of the world. A conference was held at Bermuda in May 1943, but the report of its proceedings has not been published.

(d) THE MIDDLE EAST

Meanwhile controversy continues over the Jewish National Home in Palestine, and over the extent to which Jewish immigration to it should be controlled. The mandate requires that the closer settlement of Jews should be encouraged, but subject to the rights and position of other sections of the population not being prejudiced. The British Government as mandatory reached the conclusion after careful inquiry that, owing to the natural growth of the Arab population and the steady sale in recent years of Arab lands to Jews, there is

now in certain areas no room for further transfers of Arab lands to Jews, while in other areas such transfers must be restricted. Otherwise it feared that the existing standards of Arab life would be prejudiced and a considerable Arab landless population created. Accordingly the mandatory Power has demarcated zones in which transfers of land from Arabs to Jews are either forbidden or controlled and others in which they remain free. The Zionist Movement accepts neither the premise on which these restrictions are founded nor their compatibility with the mandate; and the Mandates Commission of the League of Nations has expressed the same view. But much more is at stake than the interpretation of a legal document. The hostility of the Arabs to Jewish immigration kindles a conflict of rights that can be solved only by mutual concessions. One such proposal has been made by a Committee of moderate Jews and Arabs, under Dr Magnes, Chancellor of the Hebrew University, in the form of a federal union of the autonomous States of Transjordan, Syria, Lebanon and Palestine.

A settlement of this controversy is imperative if the Middle East is to take advantage of the enlarged opportunities opened to it by the war. The "Middle East Supply Centre" has become the staple for the collection and distribution of the largely increased war outputs of a wide range of territory, including India, the Union of South Africa and other countries and dependencies. Through its agency about 18,000 acres of land in southern Persia have been reclaimed and cultivated. In Lebanon 7,000 acres are being brought under irrigation. The Sudan is now self-supporting in wheat, and in 1943 had a record crop of 18,000 tons. Egypt is enjoying an unparalleled prosperity. Ethiopia is producing rubber. A great drive has been made against locusts. The drying up of military expenditure is bound to create a slump and the countries' capacity to grapple with it will be enhanced by

such central economic machinery as well as by the removal of obstacles to political integration. It is to be hoped that the latter will be facilitated by the recent settlement of the status of Syria and Lebanon.

(e) GERMANY

Britain, but not as yet the Dominions, is now bound by a twenty years' agreement with Russia in which both countries undertake to work together in close and friendly collaboration for the organization of security and economic prosperity in Europe, acting on the principle of not seeking territorial aggrandisement for themselves and of not interfering with the internal affairs of other States. In formally adhering on behalf of the Soviet Union to the Atlantic Charter, which binds its signatories to prevent territorial changes that do not accord with the wishes of the people concerned, Mr Maisky spoke of the right of every nation to establish such a social order and form of government as it deems opportune for the better promotion of its economic and cultural prosperity. Under the twenty years' agreement any resort to this right of political self-determination in the east, like that of the Baltic States in July 1940, will be a matter in which Great Britain cannot be entirely disinterested, even as Russia will not be in any similar adjustment in the west. Otherwise the agreement will become as devitalized and unconstructive as the Washington Treaties of 1922.

In Anglo-Russian cooperation lies also the solution of the problem of Germany. Opinions differ widely on the responsibility of the German people for their country's aggressiveness. One view upholds that they have trained themselves to become a nation of savages and that the Nazi emanation is no more than a scum on the surface of the profound depths of the militarism with which they are now impregnated. An opposite opinion asserts that their present condition is a

product of history and environment and that it will dissolve in a prosperous and united Europe. On this premise the problem is not what to do with Germany, but what to do with Europe, or the world. Translated into policy the two views imply either force or cooperation. The Atlantic Charter binds its signatories to both—to force in the form of the disarmament of the aggressor Powers, to cooperation in the assurance to the vanquished as well as to the victors of equal access to the raw materials necessary for their economic prosperity. The combination of the two may be summed up in the phrase “full larders, empty arsenals.” The Moscow Agreement has declared that all German officers and men and members of the Nazi Party responsible for, or consenting to, atrocities shall be sent to the countries in which these were perpetrated to be judged according to their laws. Four other points must be added: (1) A military occupation of the whole Reich so as to drive home the defeat of the army; (2) the restitution of all possessions taken from invaded countries; (3) contributions in labour and materials to the repair of the destruction wrought in them; (4) the complete abrogation of the Nazi régime.

The Atlantic Charter respects the right of all people to choose the form of government under which they will live. In the west there is no reason to doubt that it will be democratic in those countries that are to be liberated. But even if it were not, a proper relation to the levels of the observance of international obligations and a recognition of the interdependence of events, is all that its neighbours can reasonably ask of a sovereign State. Neither Fascism nor Japanese imperialism, nor Nazism passed this test. Fascism is now destroyed and the Italian people are assured of the opportunity to decide for themselves how they shall be governed. The Japanese co-prosperity sphere is doomed. The Atlantic Charter demands “the final destruction of Nazi tyranny.”

Nor can any resurrection of these plagues be allowed within the free choice of the three peoples.

A policy towards Germany, such as is sketched above, could be expected to receive the persistent support needed for its fulfilment which would probably be refused to other more drastic or vindictive proposals. Moreover, the rise of Russia is a new factor making for its success. German aggressiveness has not hitherto had to reckon with a Power in the east capable of stemming and defeating its concentrated force. The "drive to the east" now has an obstacle in its path to which the barrier States created after the first World War can offer no comparison and without which their resistance must be ineffective. May we not, therefore, reasonably suppose that, with this Power behind these States in the east and with Great Britain acting as a similar fulcrum in the west, the German people may seek other more peaceful outlets for their energies? They would not be encouraged to do so were Europe to become divided between British west and Russian east, with a German centre as a balance between them.

THE BRITISH EMPIRE

(a) THE DOMINIONS

In the section on the Atlantic Charter we suggested a possible regional division of Dominion interests as follows:

Great Britain—Europe, the Mediterranean, the Middle East, the Indian Ocean, the Atlantic, Africa and the Arctic air routes.

Canada—Western Europe, the Atlantic and Pacific Oceans and the Arctic air routes.

The Union of South Africa—Africa, the South Atlantic and Indian Oceans.

India—the Middle East, the Indian Ocean and East Asia.

Australia and New Zealand—the South Pacific, East Asia and the Indian Ocean.

According to this delimitation Great Britain would cover, as in the past, the whole of the Commonwealth area, including the essential bases of Penang and Singapore connecting her with the defence of Australia and New Zealand. On her also, as senior member-State with the largest population, would continue to fall "the major share of responsibility" in foreign affairs and in defence, but in a more genuine peace-time sharing than hitherto.

It is inaccurate to describe the United Kingdom as "controlling" the foreign policy of the Empire. The machinery of consultation constantly grows—but significantly more under the compulsion of war than in the less urgent circumstances of peace. In addition to the Imperial Conferences, it now consists of communications through the Dominions Office in London and the Departments of External Affairs in the Dominions; through the respective High Commissioners; through daily meetings in London of the Secretary of State for the Dominions and the High Commissioners, with a Foreign Office official present; through visits of Dominion Premiers and other Ministers, who sit in the War Cabinet. Furthermore, the Ministries of Food, Supply, Air and War Transport have liaison officers in the Dominions, and visits of other officials are frequent. Much of this inter-departmental machinery will continue after the war. The preoccupations of the Imperial Conferences in the nineteen-thirties show, however, how greatly questions of status overshadowed the more urgent calls of policy; and, although the 1937 Conference devoted its labours to foreign policy and defence, it failed, nevertheless, to frame a common plan. The omission is not to be attributed solely to the shortsightedness of Ministers, always the easiest of targets. It was an inheritance of the historic dualism between the indirect and contingent interest in Europe and the more direct and personal commitments overseas. Two World Wars have demonstrated

that the dualism is incompatible with the interdependence of events. All the partners of the Commonwealth are interested in what happens in Europe or elsewhere, though there are degrees in their several capacities and responsibilities in dealing with the repercussions.

Mr Curtin in a statement to the Press applied this truth to Australia's position in the Pacific, and to Great Britain as the centre of the Commonwealth:

The place Australia will occupy in the Pacific after the war can never be the same as it was up to 1939, and she must have available the advantages of concerted Empire policy if she is to be a power to stand for democracy in the South Pacific. Similarly the power of Britain as a force for peace in the future will be strengthened in the world if the firm voice against potential aggressors comes from the Empire and not merely London.

He suggested, therefore, that "some imperial authority should be evolved so that the British Commonwealth would have, if not an executive body, at least a standing consultative body." Lord Halifax followed up this line of thought in a speech in Toronto in January 1944. He emphasized the "immeasurable gain" to the Commonwealth of "a common foreign policy expressed not by a single voice but by the unison of many."

In all fields of interest common to every part of the Commonwealth—in foreign policy, in defence, in economic affairs, in colonial questions and communications—we should leave nothing undone to bring our people into closer unity of thought and action.

He declared that—

If, in the future, Britain is to play her part without assuming burdens greater than she can support, she must have with her in peace the same strength that has sustained her in this war. Not Great Britain only, but the British Commonwealth and Empire must be the fourth Power in that

group upon which, under Providence, the peace of the world will henceforth depend.

He was answered by Mr Mackenzie King, who described this conception of the future of the Commonwealth as running "counter to the establishment of effective world security," and therefore as opposed to the true interests of the Commonwealth.

Collaboration inside the Commonwealth has and will continue to have a special degree of intimacy. When, however, it comes to dealing with great issues, which determine peace or war, prosperity or depression, it must not, in aim or method, be exclusive in meeting world issues of security employment, and social standards.

This exchange of views shows clearly that there is no choice but to develop cooperation in the future as in the past on consultative rather than on juridical lines. With a proper realization of the security needs of all, of their interdependence, and of the part the Empire is called upon to play in world affairs, the already established principle of consultation should be more effective, because more acceptable, than any other. But it must always be subject to the test of results.

(b) THE DEPENDENCIES

In the section on free trade we asked the questions how far imperial policy had secured the fullest measure of economic advance permitted by the natural resources of the colonial dependencies, and how far had it contributed to improving their social standards? To these a third question must be added—how far have the dependencies advanced towards self-government? An objection may here be raised that the Power exercising the imperial authority should not be the judge of its own actions in these matters, that it should either submit them to some outside body like the Mandates Commission, or even hand over its responsibilities to an

international administration. This latter proposal is open to the defect that differences of language, background, tradition and loyalties in the service would interfere with the team work necessary for efficiency and would therefore add to the already serious difficulties of governing tropical territories. Still less would it be suited to those that are more advanced. Moreover the indigenous inhabitants show no sign of desiring to be subjected to such a régime; and to impose it on them would be a breach of the Atlantic Charter and a sacrifice of their interests to power politics. The Mandates Commission, on the other hand, does not wholly meet the requirements of those who demand the submission of colonial authority to a wider accountability than its own public opinion. Although the Commission can ensure that no abuses are committed under the mandate, the rate of progress towards the fullest measure of economic advance and of self-government remains entirely at the discretion of the mandatory. The principle of trusteeship is subject to the same criticism in so far as it points more towards protecting the people from abuses of authority and from exploitation than to activity in their advancement, and leaves the trustee accountable to no one but himself.

Surveyed from the level of collaboration there is nothing in this demand for accountability that a colonial Power need resent or repel. It may, indeed, act as a corrective of those critics who, in ignorance of the circumstances, assume that modern imperialism stands only for selfish economic exploitation and political dominance. The Government, therefore, has announced that it will welcome the establishment of Commissions in certain areas so that colonial problems may be discussed and solved by common efforts. The Commissions will include representatives of the colonial Powers and of the peoples within the region and of other Governments having major economic or strategic interests in it. The

sovereignty of the colonial Powers and their administrative responsibility will remain intact, but will be reinforced on such matters as a common development policy, consultation on social and cultural questions, assistance to areas unable to finance their own development, and review of the progress made in self-government.

Three areas are particularly suited to this treatment—the West Indies, where an Anglo-United States Caribbean Commission has already been established, Africa and East Asia.

In the West Indies are the most ancient British colonial representative Assemblies dating from the seventeenth century. They reflect the predominance of the political interest in the mother country's history. But they are no longer adequate tests of progress even when carried to the final stage of a universal suffrage as in Jamaica, or full self-government in all matters of internal administration as in Ceylon. The educational and economic foundations on which political responsibility must rest are of equal if not of greater importance. Nor have they been neglected in the past; and in almost all colonial territories before the war an average of 20 to 30 per cent of local revenues was expended on social services, in addition to the amounts contributed by Christian missions. But even so, only the barest needs of hygiene and education were being met from these limited financial resources. In order to supplement them Parliament passed two Acts, the second of which, the Colonial Development and Welfare Act, appropriated £5,000,000 a year for schemes of social and economic welfare.

The war, however, has proved an even more effective agent of advance and the West African Supply Committee has achieved results comparable with those of the Middle East Supply Council. The demand for rations for the large number of West Africans serving in the forces has greatly expanded the production of African foodstuffs, and much

work has been done in determining their nutritional values. Government and army farms are producing meat, butter, jam, vegetables and fruit for European consumption. Health measures have been accelerated; numerous hospitals, both European and African, have been opened and have brought facilities both in men and material for prosecuting the campaigns against malaria, yellow fever and sleeping sickness. The Army and Air Force have generated a lively demand for "tradesmen," and many military Trades Schools are turning them out. The heavy calls for building materials and for furniture, and the need to economize shipping, have encouraged the development of timber, textile, cement, soap and salt industries. The outputs of minerals, oil seeds, palm kernels and groundnuts, and the collection of crude rubber have been extended. The retention of the West African Supply Committee, or its equivalent, after the war, would seem to be essential, in view of the large numbers of demobilized Africans who will return with technical training and with new experiences and aspirations. The direct impact of the war on the West Indies has been less marked, save for the bases leased to the United States, but in fulfilment of the recommendation of the Royal Commission of 1938 the Colonial Office has appointed a Comptroller of West Indian Welfare and Development, with social, educational, agricultural, economic and labour advisers. Their duties are to inaugurate at the expense of the British Exchequer the social services in which the colonies are deficient, and which, with the exception of Trinidad, they are too poor to establish for themselves. The war has also accelerated the transition to subsistence agriculture urged by successive Royal Commissions, and the Colonial Products Research Council is also actively engaged in prosecuting inquiries into a possible alternative industrial use for cane sugar which has always been the islands' staple crop.

Two Commissions have been appointed to report on education. One on Universities with a view to preparing to meet the future need for trained professional services, the other on higher education in West Africa. The problem of primary education is so great that it can be tackled only by some new drive upon mass illiteracy similar to those initiated in Russia and China. The Colonial Office Advisory Committee on Education has put forward bold proposals, and the Colonial Development and Welfare Fund can contribute towards their fulfilment.

East Asia offers a different set of problems. Here are great peoples whose awakened national consciousness impels them to demand the ending of European trusteeship, while at the same time its withdrawal may result in a revival of systems from which it has released them. It would be unduly optimistic to assume that a free play of national forces in this area will lead to peace. The apparently insoluble difficulty of finding any true basis of Indian unity to replace the British Raj, the antagonisms between India and Burma, the Burmese command over Chinese communications with the Indian Ocean, the complicated political and social structure of Malaya that has impeded its political progress, the fear of Chinese domination in Thailand, the uncertainty of political developments in China herself and the overshadowing enigma of Japan are some of the potential causes of trouble. Mr K. M. Panikkar in his book *The Future of South-East Asia*, bearing in mind these circumstances, regards Great Britain's rôle in this area as being "not merely that of an associate in material advancement," but also that of—

introducing into Asiatic society the principles of purposeful organization and activity, the conception of society itself as a complex of the forces of progress, the practice of political life based on democracy, motivated by the ideal of the common good, and the reign of law, and the subordination of the individual to the law. These great principles

which constitute the basis of civilized life in the west are of course not unknown in the east, but the withdrawal of European influence at this stage might mean a relapse to other ways over large areas.

We are told sometimes that the Empire needs a new constructive impulse. What is deficient in these great principles that Mr Panikkar finds already implicit in it? The criticisms that followed the fall of Singapore and Hong Kong paid insufficient heed to what had been accomplished. Malaya seventy years ago was a jungle, Hong Kong a granite rock. And yet Malaya became the world's greatest single producer of tin and rubber, with Chinese as the largest group in its population, and with an external trade valued in 1940 at £225,000,000. Hong Kong in the same short period became one of the largest free ports, handling shipping amounting in 1935 to over 41 million tons, and with at least ten Chinese firms for every British firm, as well as numerous businesses representative of other nationalities. The idea that Hong Kong should be "given back" to the Chinese hardly makes sense, for it was, before its seizure by the Japanese, a purely British creation of which there is every reason to be proud. Nevertheless it is true that the stage of development reached in both these dependencies left undefined their eventual status in an Asia of assertive nationalism.

In a regional division of Commonwealth responsibilities the East Asian area would be the limit of Britain's share, and the arrangements made for preserving the peace in it should take that into account. That does not in any way diminish the full collaboration based on India that is due from her in the defeat of Japan, or imply that her interests in the Far East and in the Pacific should go by default. It does mean, however, that in consideration of the burden she will assume elsewhere, others must bear the major part here. The recent agreement between Australia and New Zealand recognizes

the facts of the situation and lays a foundation for international agreement on the peace structure of the whole region between the Pacific and Indian Oceans.

Chapter III

SOME HOME PROBLEMS

INDUSTRY

AS A RESULT of totalitarian war over 15 out of 16 million men and $7\frac{1}{4}$ out of 17 million women between the ages of 14 and 64 are now in the services or in paid employment. About 90 per cent of single women and 80 per cent of married women between the ages of 18 and 40 are in the war effort. A further million women are doing voluntary work. The extent to which wholesale mobilization, together with aerial bombing, has uprooted family life and social habits is shown by the $22\frac{1}{2}$ million civilian movements from one area to another. Industry has been almost entirely recast. Firms and factories have been closed, concentrated and telescoped in the cause of larger outputs and greater efficiency. Employers have been deprived of their power to discharge labour, and labour has been restricted in its liberty to change its employment. Although industry has not been nationalized in the sense of the ownership passing to the State, yet the Government, as almost its sole customer, with authority over the allocation of raw materials, machine tools and labour, has a control over it that is none the less supreme through being exercised in consultation with employers and employed. Privately owned property, housing accommodation, storage room, land, producing plants and goods of all kinds have been requisitioned. Very many small firms and individual shops have disappeared. The distribution of food

and clothing has been rigorously rationed, a journey by railway is an uncertain adventure, and many of the most ordinary requirements of civilization are unprocurable. The country's agricultural output has shown a welcome and long overdue increase, returning three record harvests, but it is organized and controlled by County Committees under the general supervision of a Minister in Whitehall. Some places, like seaside holiday resorts, have lost their means of livelihood; and the country is covered with aerodromes, military camps, battle training grounds, and billets. The nation has been transformed into a fighting, a munitions- and a food-producing army.

The first and immediate post-war problem, therefore, must be the return of this vast host of mobilized fighters and workers to civil avocations. If the war in Europe ends before the war in East Asia the operation will be more evenly spread over a longer period than if peace comes in both areas simultaneously. But even on the first assumption it will be difficult enough. The principle on which the fighter forces should be released—whether length of service should give priority, or whether those whose return to civil life is the more important should be discharged first—demands a choice between two equally just alternatives. After the last war the latter was chosen, but had to be jettisoned owing to the dissatisfaction of those who had served longer than others who were demobilized before them. After the present war demobilization is to be by age plus length of service and men will not be kept in the forces simply because industry has not called them out.

Demobilization will be but the preliminary or immediate stage of reconstruction; and, like relief and rehabilitation in Europe, it must be accompanied and followed by a period of transition, during which the design of the new structure will be decided. The foundations already exist; and this

survey proceeds on the assumption that no revolutionary recasting of them will be attempted, and that whatever proposals or policies may be advocated will be submitted to the constitutional process of parliamentary discussion.

The war has demonstrated in the simplest and most direct form the effectiveness of an expanding economy. An insatiable maw of consumption, unrelated to any human personal needs, and production for military operations and for maintaining huge reserves to meet all conceivable contingencies have shown how an unlimited demand met by an organized and controlled national effort, concentrated on a well-defined and universally accepted purpose, can ensure full employment and a rising national income. So practical a demonstration naturally suggests that a similar technique might be followed in peace, by planning that the volume of purchasing power in the hands of consumers shall always be sufficient to permit of the free exchange of an ever-growing production. The supporters of this consumptionist theory uphold that the demand for goods and not capital investment is the governing factor in expansion. Accordingly they urge that policy should be concentrated on encouraging high spending. Their opponents reply that under-consumption is a symptom not a cause of depression. They attribute any decline in the spending power of consumers to reduced demands for their labour caused by the cyclical diminutions in capital investments, and they hold that unless these are evened out, no redistribution of national income by schemes of social security can prevent depressions, however effective they may be in mitigating poverty.

If then the remedy lies in a steady flow of capital investment, including services and amenities ministering to the health and well-being of the people, it is for the Government to procure it both directly through its own investment policy, and indirectly by influencing the investment policies of in-

dustry and private persons. Hitherto it has not distinguished between its own capital and current expenditure. In the national accounts the two have been combined and have been expected to be covered by revenue each year, as were also the finances of colonial dependencies. In place of this rigid orthodoxy it is now proposed that a State capital budget should be presented annually to Parliament, separate from the current expenditure budget. This would enable capital expenditure to be increased in periods of depression without showing a deficit on current account, and without having to impose high taxation to meet it in times of depression when the burden should be lightened. Government direct investment policy could take a variety of forms, such as capital works carried out by the State, or by local authorities with State assistance, or by State subventions to private firms and enterprises, or by the public accumulation of stocks to be released at appropriate times. The employment and co-ordination of these would imply a State investment policy administered perhaps by a National Planning or Development Board.

Here we enter upon the debatable ground of the extent to which the State should interfere to plan and control industry in general. The question is not answerable by appealing to the experience of totalitarian war, for the conditions that it imposes on its victims are not compatible with the freedoms of peace. The concentration of production upon one overmastering purpose and for one supreme consumer could be repeated in peace only were the State to assume the right of deciding for the individual what his consumption should be. But freedom of choice in consumption is one of the prized elements of western civilization, and in the absence of a purpose as well defined and as universally accepted as the defence of the country in war, it would hardly be abandoned. The profit motive has hitherto been the test that

industry was satisfying human needs, and the test also of its efficiency in doing so. There are, however, a range of essential products, classified as "utilities," such as gas and electricity, which have in some cases become concentrated in large joint stock companies in more or less monopolistic positions. It is suggested that these should more properly be managed by public corporations, like the London Passenger Transport Board, their shareholders receiving fixed returns on their capital but having no voice in the control of their business. There are secondly large-scale basic industries, more speculative and uncertain than the utilities, but whose output is equally necessary to modern civilization. Controls over many of them are exercised in varying degrees, either by a few dominant firms or through some form of association, with the result that competition, although it continues in some respects, is limited in others. These controls may be horizontal, as with trade associations that link up companies producing the same type of goods; or they may be vertical, creating "big businesses," owning factories manufacturing finished goods and also the sources of the raw materials needed for them. A more elastic treatment has been suggested for these, ranging from public corporations to boards of directors with State-nominated chairmen. Finally there are the businesses supplying the genuine free choice demands of customers. These would be the undisputed field of private enterprise. Government influence over investment could work directly on public corporations supplying utilities. Its influence on the second class might be either direct or indirect. On the third it would be wholly indirect.

The protagonists of private enterprise do not accept this threefold classification of industries. They deny that large concerns running public utilities are removed from competition, for they compete with each other—gas with electricity, railways with roads, coastwise shipping and aircraft. Con-

verting them into public corporations financed by capital stock earning fixed rates of interest would not make them more publicly owned; it would merely transfer the control to some Government department or nominated body. Furthermore their new financial structure would not encourage their managements to take risks. Losses incurred in joint stock companies are absorbed by the shareholders in a loss of dividends. Public corporations have no such cushion and their directors are consequently tempted to play for safety. These criticisms apply with even greater force to Government control over the second class of industries. What planning or development board would have pioneered cheap motor-cars, refrigerators or radios? And are great concerns built up by their founder's genius to be turned into public corporations, or to have State-nominated chairmen imposed on them, because their directors have succeeded in developing them into large-scale basic industries? What encouragement would this be to enterprise and imagination? The advocates of private enterprise therefore claim that industry should be left to regularize its own expansionist policy, the Government confining its actions to indirectly fostering regularity by its monetary, budgetary and taxation policies.

In accordance with traditional British experimentalism various degrees of Government industrial control will probably be tested, as hinted in Mr Churchill's broadcast of March 1943. But there is, at any rate, agreement on one point—that the Government should, directly or indirectly, or both, seek to regularize investment in order to even out the trade cycle and maintain full employment.

EXPORTS

On the consumptionist premise a decline in exports need cause no more than a temporary shrinkage in employment, so long as the home demand is sufficiently flexible. But even

so exports would still have to pay for essential imports of food and raw materials. Moreover, apart from this, the level of collaboration requires a wider approach to the problem, especially in view of Britain's imperial obligations. But collaboration cannot be unilateral. At least two parties are needed for it; and, so far as Britain is concerned, none more so than the United States, as may be seen from a comparison of their respective positions.

During the years 1936-1938, Britain's average annual imports amounted to £930,000,000 and were paid for by exports of £540,000,000, interest on overseas investments of £200,000,000, earnings from shipping services of £110,000,000 and insurance and banking commissions of £40,000,000, leaving an adverse balance of £40,000,000. She will emerge from the present war with a substantial loss of export trade and of merchant tonnage, with still larger reductions in overseas investments than in the first World War, and with a consequentially inflated adverse balance. Despite the increase in home farm production, she will still have to import at least 40 per cent of her food, besides the raw materials for a higher output of her factories. In order to pay for these, maintain her present standard of living and correct her unfavourable balance of payments, she will need, according to one estimate, to heighten the level of her pre-war exports by at least 50 per cent. On the other hand the United States will be in a creditor position similar to, but much more pronounced than, that of Britain in the nineteenth century. With a large balance of payments available for overseas investment, with a productive capacity that in 1944 is expected to be double that of 1939, and with a large surplus output for export, the United States should, on the British precedent, be willing to accept imports in exchange for exports and in payment of interest and other charges on outstanding balances. But, being an

economic unit, without the same urge to take imports, she has hitherto discouraged them by high tariffs, which being equally applicable to all, conformed with the level of equality of trading conditions. In the result the world's gold reserve became concentrated and sterilized in North America.

Under the old gold standard system of exchange the disequilibrium between the two countries would have been righted by a British deflation, that is to say by reductions in national income and in imports, and consequently a lowering of the standard of living. But the system never contemplated having to cope with maladjustments of the present magnitude and accumulation; and the attempt to restore it after the last war in less unfavourable circumstances ended, as we have seen, in a breakdown. Moreover, far from contemplating the possibility of having to reduce the standard of living, Britain is preparing to embark on an unprecedentedly vast programme of social security and reform in order to raise it. The Government's Social Insurance Scheme, including family allowances and a comprehensive health service, is estimated to cost £650,000,000 in the first year rising thirty years later to £831,000,000. Of these amounts £352,000,000 and £557,000,000 will be met out of taxation or local rates. Recent discoveries in the nutritional value of different foods have established standard requirements for health and have inspired the demand that every nation shall make food on that standard available for all its citizens and the confidence of its supporters that herein lies the remedy of all evils. The increase in the production of foods and the revolutionary changes in traditional diets that this objective involves will take years to introduce into the greater part of the world. In the United States alone it is calculated that 40 million more acres of food and foodstuff crops will have to be grown. The United Kingdom has no such margin for expansion but

can adjust its agricultural output to the nutritional needs of the population by developing a larger output of the protective foods—milk, vegetables, fruit and eggs—as against the energy-yielding foods, such as the cereals, that can be grown more cheaply elsewhere. On the other hand the cultivation of cereals is considered by many to be necessary to a proper balance of crops and its encouragement has been essential in the war.

Mr Churchill in his broadcast of March 1943 mentioned social insurance, a national health service, a revival and development of agriculture, and the improvement, broadening and extension of education as four of the principal measures that might be undertaken by the first post-war Government on a four-year plan. The proposals for the reform of education have already been embodied in an Act and will take several years to complete. The school leaving age is to be advanced to sixteen, secondary education is to be compulsory and free for all, a new system of "further education" is to be established for all between the ages of sixteen and eighteen—all of which reforms are estimated to increase the cost of public education to over £200,000,000 a year. A housing programme envisaging the building of 3-4 million houses during the next ten to twelve years will be another large source of expenditure, the extent of which is not at present calculable. Building costs have risen higher than have incomes and are now 105 per cent above the pre-war level. On the most optimistic estimate they cannot be expected to fall below 60 per cent above pre-war level. It seems likely, therefore, that the State may have to make large housing subsidies in order to keep rents within bounds, unless the craft of the builder can be cheapened by mass prefabrication methods. Included in the 3-4 million houses are those needed to reconstruct bombed sites, to replace slums, and to provide accommodation for new families. Over 2½ million marriages have been celebrated during the war, and,

owing to the interference with normal life, most of these potential families have been unable to establish homes or to purchase furniture or household goods. Their needs must be counted amongst the first of priorities, as must also the restoration of bombed areas. The replacement of slums is always urgent. But the total includes substituting houses that although habitable are outdated and lack modern amenities. The urgency of attending to these is less apparent. Moreover, the whole plan involves a labour force of $1\frac{1}{4}$ million building operatives, equal to a sixth of the whole labour force of the country, and, considering the other calls, it may be doubted whether so high a percentage can rightly be absorbed in this objective.

Industry will have to be reorganized and equipped for a peace output and the question of its location decided. Before the war the industrial portion of the country had become divided into "special" or distressed areas and prosperous areas. The staple products of the former, for example coal and cotton fabrics, had been the items on which the British export trade had been built up. Competitors had now deprived them of their markets. The prosperous areas, such as the Midlands, London and the Home Counties, had become congested with factories turning out consumer goods to meet an ever more diverse and varied demand for modern mass-produced contrivances. The manufacture of munitions of war restored activity to the special areas and that activity must somehow be maintained in peace. At the same time the immense conglomeration of populations in the congested regions suggests the need for some redistribution of them into smaller urban units, and until this point has been settled the ultimate siting of the new houses must remain uncertain. A second point connected with the location of industry is the division of the country between it and agriculture. Yet a third is the problem of the ownership of the land, summed up in the words "betterment" and "com-

pensation." Three Royal Commissions have reported on these three aspects of post-war reconstruction—the "Barlow Commission" on the location of industry, the "Scott Commission" on the future of agriculture, and the "Uthwatt Commission" on "betterment" and "compensation." None of their reports is easy to implement. Each by itself implies a major political operation, arousing much controversy. But the third is fundamental to the others. As a solution the Government has proposed to divide land into three classes—"green land" having no building development value, "white land" or all other unbuilt-on land and "built-on land"—to make building development subject to licence by the planning authority and to collect an 80 per cent betterment charge on the difference between the value of land so licensed and its value had the licence been refused.

Apart from these social aspirations and obligations Britain will be faced with a much larger defence expenditure in peace time than formerly. The ruthless cutting down of the defence forces after the last war carried with it no benefit, was a negation of the collective security on which the peace settlement depended and was an invitation to the Weimar Republic to lay the foundations of rearmament, which, when the Nazis assumed power, were already complete. Not again must that mistake be made. Finally there will be the heavy toll of war pensions which will appeal to the generosity of all.

This formidable list of reforms and of reconstruction projects would seem to require that the top should be kept spinning with greater velocity than ever before. How shall this be done when the war demand is dried up and is replaced by the complications of exchange?

The attempt to answer the same question after the last war from the level of the free exchangeability of currencies at fixed rates in relation to gold, ended, as we have seen, in a breakdown and in the adoption of a variety of expedients to

Q3C4 protect national interests. Any repetition of the experiment is not again possible because of the concentration of gold in the United States. Moreover, even if the gold could be redistributed, it would suffice for no more than the pre-war level of world trade, and would not cover the expansion which totalitarian war has shown to be possible, and which will be necessary for improved standards of living. On the other hand the burden of a complete abandonment of gold would fall on the United States as the largest holder and on the British Empire as the largest producer. It would, for example, deal a fatal blow to the economy of the Union of South Africa. There is need, therefore, for some machinery of exchange that, while not eliminating gold as a measure of value, will be flexible enough to allow of disequilibriums being liquidated, and elastic enough to permit of civilian demand and supply becoming as effective agencies of expansion as totalitarian war. A joint statement by experts of principles for an International Monetary Fund as part of a general plan for international cooperation has been published. A discussion of its merits is outside the scope of this survey, but whatever mechanism of exchange emerges from it, a period of transition must be traversed before it can be fully operative.

During this period many of the exchange controls and other economic expedients, protective of higher standards of living and of social services, will have to be revived or retained. Britain, for example, may find it necessary to accept imports only from countries willing to receive her exports, and to organize and become the centre of a sterling bloc, as before the war. She will need time also to recast her exports in order to meet her Imperial commitments and the changed circumstances and enlarged industrial capacities of new rivals and old customers. But ultimately her economic salvation in the future, as in the past, must depend on the widest expansion of her world trade.