IMPERIAL PREFERENCE – AND DEFERENCE: THE ECONOMICS OF EMPIRE, 1920S

Prologue: Wembley wood

As a show of what the Empire produced – could buy – could sell, the exhibition at
Wembley proved a real draw...

You could see the Witton Kramer Electric Lifting Magnet

the Constantineseo Converter Motor Chassis
(for driving standard-gauge engines)

wonderful machines that turned a fluid of emulsified wood pulp
into paper

or packed cigarettes into boxes...

The kind of thrill you get once in a life-time

.... if you're lucky.

But all this praise for the self-sustaining Empire got a bad crimp on the
opening day when the King gave his speech.

Reporters noticed that the platform wasn't English-made.

The lumber came from the U.S.![1]

Right there was a symbol of something gone askew with the English

[1] "Britain's Empire Packed into One Big Show," *Literary Digest* (June 14, 1924): 44.

political economy.

I. OWE CALCUTTA

A. ENGLAND TRIMS ITS SALES

World War I wrecked international trade.

The 1920s saw a very incomplete recovery.

Blame America for a lot of the trouble.

It came out of the world war as the great creditor nation.

Then it enacted policies that made it impossible for debtors to pay without ruining themselves.... and demanded that they pay.

It closed its doors to Europeans with the most pressure of population by severe immigration laws.

It closed its shops to Europe's products, by tariffs.

The Hawley-Smoot tariff was the worst of all.

Exports Decline: Manufactures

Trouble like this England didn't need.

British wealth depended on what it could sell abroad.

But what England made, people didn't want as much as before.

– coal
– cotton textiles
– iron and steel
– tools and hardware

What people wanted was ...

– motor cars
– bikes
– airplanes
– rayon
– plastics
– chemicals
– stainless steel

– scientific instruments

– and more than anything else, something that England couldn't do a thing about: oil.

English firms could make bicycles and artificial silk and dyestuffs and all the rest. But that wasn't where most of the money and workers were.

And where they were, the world wasn't buying.

Which is why joblessness was 28% in the coal industry in 1930 and 32% in the iron and steel industry.

Even in good times, in 1924, one worker in iron and steel out of every four was out of a job.

And in shipbuilding? 28%.

And in cotton? One worker in seven.

Competition had been stiff before, and was getting stiffer.

England never sold as much abroad as it had before the war, in terms of volume, in the 1920s or 1930s.

They couldn't. Prices soared in wartime. They never went all the way back down again.

In wartime, a lot of markets were cut off.

So those countries had to find somebody else to buy from ..

The United States
Japan
being at the top of the list.

Anyhow, in wartime, England just wasn't making as many goods for sale as before. It was turning its products to the war effort instead.

Britain might not notice that things had changed – not at first.

After all, in 1920 it had a bigger share of world trade than seven years before.

But that was because other European countries were in ruins.

When they set to work building again, and their factories were able to sell products, the story would be very different.

Good times in the mid-1920s were hard times for English exports. Britain's share dropped steeply.

In 1913, its share of world trade was 26%

... in 1929, it was only 21%.

Things were worst for cotton textiles, the one thing England shipped out the most of –

In fact, about one fourth of all exports before the war.

Then came the Depression, and bad turned very much worse.

Britain's share of world trade actually edged up a little.

But that was because EVERYBODY was slumping.

It was still shipping only about 2/3ds as much goods as it had before the war.

And the amount England imported went up and kept going up.

Some of it was raw materials, like oil, that England couldn't find at home.

Some was that people had a higher living standard and could afford to buy more consumer items.

Whatever the reasons, by the mid-1930s, for the first time, Britain was buying more goods from abroad than it was selling.

Exports Decline: Invisible Exports

Now, that's not the whole story.

A lot of England's income came from "invisible exports."

That's the money that investments overseas send back to you.

It could be stocks and bonds – could be loans – could be property.

It could be the money you make as a shipper, carrying other people's goods.

Whatever it is, it's assets.

But invisible exports were not doing at all well after the war, either.

Oh, pound for pound, their value stayed nearly as high as before.

But the pound wasn’t worth anywhere near what it had been.

Take inflation into account, and invisible exports were just about cut in half in twenty years.

All the money put into Russia was lost, when the Bolsheviks came in and repudiated the Czar’s debts.

Other British assets abroad got sold off – about a fourth of them – in wartime, to help pay for war supplies.

Shipping wasn’t paying as well as before.

Too many other countries were getting into the merchant marine business.

And the less goods that are being traded, the less there is to ship.

A lot of merchant banks and discount houses had given out short-term loans all over the world.

They couldn’t, in wartime.

So Wall Street took up the slack – turning into the lender to the world.

By the time the war ended, foreigners had got into the habit of turning to New York when they wanted credit.

British overseas banks had competition as never before.

Put visible and invisible trade together, and what you've got is a bad balance of payments problem.

The surplus Britain always ran, it doesn't run any more.

In the 1930s, it was gone completely.

B. The Social State and Holding the Line

In wartime, there was a lot of questioning: what would the British economy be like after the war?

For wartime purposes, the government had to create boards and set up systems of managing the private sector.

And among imperialists, there had been talk of a permanent change in the political economy of Britain:

– protection (sheltered markets)

With the revenues from the tariff, you can pay off the war debts
But it will be foreigners who pay most of it, not people back hoime.

An empire, dominated by British industry, and with high tariffs, could survive, even if Germany ended up winning the war
(And in 1916, that certainly did seem possible).

Self-sufficiency – that's the key to the empire surviving now.

It will keep out German competition.

– a strategy of planned emigration to the Dominions.

All of these plans went for nothing.

By 1921, the economy was de-centralized and decontrolled again.
Free trade was the orthodoxy.
Government's main aim was balanced budget and a gold standard

The fact was, English folks never had trusted government, and still did not. And that was truest of the businessmen.

And that economic state of siege was okay IF GERMANY WON.

But Germany did NOT win.

And by 1920, nobody thought it would be a serious competitor in trade with the world for a long, long time to come.

But the commitment to a small budget and not much money in it, meant, above all, that the spending had to be cut somewhere.

And that usually was some place in defense.

The issue of planning isn't important just for seeing that everybody ate well and ate better.

It was a matter of imperial survival.

Other countries had become top world powers by national planning.
German railroads were set down by the state – not just for commercial, but strategic ends.

And there were a lot of industries that, if you wanted to fight a modern war, you couldn't afford to import.

If your sea lanes were cut off, your power to make war was gone...

scientific instruments and scientific glassware
optical glass
Various high technology items.

You needed a class of trained experts, and that meant public money for the kind of education that would make scientists and mathematicians.

In Germany, there's 600 students taking courses in mining engineering in any given year, at just four universities.

But go to fourteen universities and England, and you'll find a mere third that many students taking courses like that.

The money's not there for well equipped labs.

What could planning have done?

Go to the electrical industry for an example.

438 generating stations, all with their own voltages and frequencies made a muddle of just plugging in the toaster in England.

In the 1920s, the government decided to make the whole thing rational.

It would set up a Central Electricity Board.

The government would pay half the costs – local firms would pay the rest.

It would coordinate, standardize, customize.

Results? In three years, electricity's output was up four times over. The cost of generating it had gone way down.

In 1926, only 3/4 of a million people in England used electriticy.

By 1929, nine million did.

Now if you can do this for electricity, why not to make a new steel industry?

Why not centralized planning to build high tech?

The simple fact is that the planners didn't.

The risk goes to the heart of empire, too.

An empire can supply your needs in a war...

if you have a plan for developing it.

II. THE GOLDEN RULE

A. Gold Standard problems

How to get back to the good old days, when England sold people so much, and factories were thriving and everybody had jobs?

The answer should have been obvious:

England had to be able to sell more goods to the world.

It had to make more of what everybody else wanted.

That meant ... less cloth and less coal, and more –
plastics
cars

But this is where Empire Nostalgia got in the way of Reality.

England's bankers were, deep down, a bunch of hard-nosed softies.

They couldn't forget how, once, the Pound ruled the world.

You could get $4.80 to the pound on exchange rates before the war.

If England could only get back there again – if it only had vaults full of gold – then London's financial markets could look Wall Street in the face.

If you could only get a pound that was worth $4.80 this week and next and next year, and the year after, and forever, no inflation – no deflation – workers wouldn't have to worry about their money being worth less.

Stable money values meant a stable economy.

No booms, no busts.

The old, tried and true mechanism, was the Gold Standard.

You can pay off any pound in gold.

And you have the gold to do it with.

England had got off the gold standard in wartime.

The pound had fallen as low as one for $3.20.

But it had bounced back, mostly.

Now, in 1925, the Chancellor of the Exchequer heeded the siren song of the bankers, and set up the Gold Standard with the pound at $4.80.

But going back to the gold standard this had a bunch of problems.

– where do you get the gold to back your currency?

America had vaults & vaults of it.

Britain had modest amounts.

– the only way to get more gold is to sell more goods and buy less.

But the only way to do that is to lower the price you sell them for.

And you can't do that without an intense deflation...

price cuts

wage cuts

... the tightest possible money supply.

Do that, and you're paying for your big exports by a high jobless rate and no economic growth.

There's the other problem. The pound wasn't worth $4.80.

At that rate, goods made in England sell for more on the world markets than people are willing to pay for them.

Either the price for those goods are going to have to go down, or the price of the pound is going to have to break.

Going onto the gold standard in 1925 didn't help Britain.

It helped American capital and trade.

Pegging the pound that high meant that British goods sold for more.

Who's going to buy high priced goods?

To keep it up, the Bank of England had to keep money tight –

hold off on loans –

charge high interest rates –

The price of staying on the gold standard, then, was this:

– England sold fewer goods to the world, because she'd priced herself out of the market.

– when manufacturers wanted to modernize their plants – or expand them so they could make more goods for less –

or wanted to start a completely new line of products that the world would buy....

they couldn't find the money to borrow.

Or if they did find it, they had to pay interest rates so high that it just didn't make the investment worth while.

Why was coal a sick industry and getting sicker?

One reason was, other countries were mining coal cheaper and faster, because they had mechanized.

You go to the Ruhr, or to eastern Kentucky – it's not all done with hand-picks any more.

Even in Poland and Holland, output per man shift was way up, even doubling.

In England, it barely changed anywhere.

Conveyors – coal-cutting machines – coal-cleaning – electricity and mine carts not hauled by pit ponies – pneumatic picks... that's where productivity goes up.

And the reason was, re-tooling takes money.

Where are you going to borrow the money?

England didn't prosper. It stagnated.
And a million people went jobless.

B. India's golden age

India wasn't part of the solution to Britain's ailment. It was part of the problem.

A stable currency was based on there being enough – not too much gold out there, to back currency with.

Too much gold meant too much money = inflation

Too little gold meant too little money = deflation and economic slowdown

India's problem was that it was like one of those brakes that goes on whenever the car starts moving fast, and goes off the more it slows down.

When the world economy was zipping along, India bought gold – not for money, but for all kind of ornamental uses.

So there was less gold out there.

So the money supply was reined in.

So the boom cooled.

Of course, in hard times, India could afford to buy less gold. It wasn't selling as many of ITS goods, so it couldn't get gold from selling them.

Then it let more gold flow onto the market.

England had always known it.

On the whole, a rein on worldwide inflation was a good thing.

But by the 1920s, a lot of people weren't so sure.

So imperial policies worked to make them buy less gold.

And they did very well at it.

Especially in the 1930s, when India exported 4.8 million ounces of gold every year – which helped Britain's gold shortage problem a lot.

How do you do it? By creating strong deflationary pressures in India.

You keep the rupee's value higher than it ought to be.

That way, it's harder for India to sell goods abroad.[2]

They're overpriced.

If it can't sell, it can't buy – buy gold, that is.

The less gold for India, the more for Britain.

C. A Slump in Empire

As slumps go, Britain didn't have it all that bad.

The "hungry thirties" weren't hungrier in England than most-wheres.

Economic growth came back strong after '32.

While a Depression lingered in America and in Germany,
Britain was glimpsing fresh prosperity.

The middle class culture, where every family could afford a house and car
began with the Thirties in England.

[2] G. Balachandran, "Britain's Liquidity Crisis and India, 1919-1920," **Economic History Review**, 46 (August 1993): 575-91.

3 million houses built in that decade

And by the end of the decade, two million cars on the roads – or twice what had been there in 1930.

Industry made all kinds of goods...
furniture
Radios
Cookers
Vacuum cleaners

And found takers.

England wasn't getting poorer. Between the wars, average incomes rose by a third.

For most people, the quality of life improved.

But good times, like the Depression, were patchy things.

Go to England's industrial heartland, the Midlands...
Go west.
Go north.

There the Slump was very harsh, very real.

The industries were stone cold.

Coal production was going down.
The jobless may not have been easy to see from Nelson's Monument in London.

But they filled the mining towns in South Wales and Yorkshire and Scotland.

As for shipbuilding... for every 100 ships built in 1914, just seven were built in 1933.

You won't find prosperity on the Tyne or on the Clyde.

The wharves are silent – the warehouses, empty, the cranes rusting, the ships rotting.

The figures will tell you everything, and that's in 1930, before the bad times really set in:

32% of the people in shipbuilding were out of a job
44% of the workers in cotton textiles
26% of those in woollen goods
32% of those in iron and steel

There was hunger and violence and strikes in Lancashire.

Textile production fell by 2/3ds in four year's time.

And remember, 40% of everything Britain exported was textiles.

The factories were out of business so long that even the soot ingrained on the side of the buildings wore out and started to look cleaned away.

You could find mill-owners (or onetime ones) picking up cigarette ends in the streets.

This is not a country with faith in itself.

It is not a country able to look with confidence on its role in the world.

It has lost the feeling for leadership.

III. "EMPIRE FREE TRADE"

A. Sheltered Markets

Could empire be the solution?

In some ways, it was the problem. England DIDN'T have sheltered markets. It never did.

If India wanted to buy cloth from Lancashire, it could.
If it wanted to buy it from Gastonia, North Carolina, it could.

And in the 1920s, the Indian government put tariff rates so high on imported cloth that England was priced out of a lot of the market

... by 1929, it was selling a billion yards of cloth less to India than before. That's like a 40% drop.

Before the war, India met 27% of its own demand for cloth.

Now, it met 56%.

But the bigger winner was Japan. Before the war, it sold India 3 million square yards a year. By the mid-1920s, it was more like 250 million square yards.

What was true in India was true in East Africa, too.

And in Canada, and in South America.

Because the kind of cloth they made in Lancashire that had sold out in the empire was the really cheap kind.

Japan could beat them at that, and so could the United States.

Wall off the Dominions and the Empire to Japan and America, and you could gain a lot of lost ground.

Did the Empire have a LEGAL right to make a tariff schedule for everyone?

Or to set up a general structure of imperial reciprocal preference? Sure! No question it did.

Did it have a MORAL right?

As much as any other country has.

Every political community has a right to set up tariffs, if it wants.

Second point: that Britain acted defensively.

World trade in 1932 was hobbled badly.

The whole world already had gone protectionism crazy.

Britain had been turned into the dumping ground of all the nations, as they competed to get hold of vanishing markets.

As early as the 1887 colonial conference – the very first one ever held – and at every conference from that time on – it was the spokesmen of outer empire (the Dominions) who challenged free trade.

It was THEY who pushed England for imperial preference – and got nowhere when they tried.

They even meddled in English politics, making the propaganda for Joe Chamberlain and the Tories, over the years that followed to get their way.

And it was, they thought, the height of imperial patriotism.

When they set up tariffs, didn't they give England
a preferential position in the rates, without asking a thing in return?

Now, the concession amounted to very little.

A tariff that hurt British manufacturers badly would hurt foreign manufacturers a little bit more, and that was rather cold comfort to the British manufacturers!

Not to mention, the Dominions praised themselves constantly and constantly called for a reward ...

a sheltered market for the food and raw materials they sold to england.

Let England convenience them, by changing her fiscal policy, please!

Set up a tariff punishing all foreign competitors and favoring us![3]

How did the dependent Empire – the non-dominions – feel?

Differently, but not all that differently.

One or two places liked free trade

Ceylon for instance – Malaya, for another instance.

But other places wanted a sheltered market...

Nyasaland for her tobacco
Mauritius for sugar
West Indies, ditto
Palestine, for a change in the terms of the Mandate, to cover Palestinian oranges with a preferential tariff[4]

Indeed, the colonial empire mostly felt, as the Dominions did, that having prices

[3] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 102.

[4] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 103.

go up on some of their imports was a small sacrifice, if they could only get sheltered markets for their exports.

Up to a point, the teachings of imperial preference had a case to make.

"Men, Money and Markets," the Dominions cried.

We need to spread white immigration from England to us, build up our numbers.

But how can we get the men, if we don't have a growth in capital investment? What will induce them to come? What will induce them to stay?[5]

There's got to be market opportunity, or nobody's going to invest money.

Why put your cash into a business that can't sell what it makes?

Or good prices for what we sell?

Men and money are flowing in. But the flow will stop, if prices don't pick up.

All you had to do was look back.

A good price for wheat is what made the Canadian frontier move west so fast in the Gilded Age.

---

[5] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 106.

A good price for wool is what pushed on the Australian frontier, too.

For imperialists, this was a hard appeal to say no to.

You can argue that if the empire has to stick together in war –
Indians and Australians dying for England –
it has to stick together in peace –

Indians and Australians being buffeted by economic war from other countries.

That's what comradeship is all about.

And it means that in a really democratic empire, England gives way even where its own interests aren't the main ones benefitted because it owes something to the demands of those who ARE being benefitted.

As one enemy of protectionism had to admit, when he read of West Indies sailors on board a British tanker that a German u-boat torpedoed:

'If they now offer us their very lives, can we refuse them an extra penny or two of preference on their sugar?"[6]

[6] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 103-04.

B. Lord B.

Max Aitken, Lord Beaverbrook, was the provincial Imperialist writ large.

Canada-born.

Ugly, short, brash – and super-charged with energy

A tycoon
Who owned movie houses
Film studios
Race horses
and a string of newspapers

A lapsed atheist

And very much a lapsed husband, with quite a lot of red-hot relationships
... usually other people's wives

... sometimes other people's mistresses

And in one case, a woman who was a Cabinet member's wife AND the Prime Minister's mistress at the same time![7]

He didn't hide it.

One person who got regular boosts in his paper was the MP Duff Cooper.

When one reporter wrote a story critical of Cooper, Beaverbrook cornered him:

"Do you love your wife? Well, I love Cooper's wife, so lay off him."

[7] That is to say, Venetia Montagu, who helped him research his book about the inside doings that brought Prime Minister Herbert Asquith's downfall, by showing Beaverbrook Asquith's love-letters to her.

Most of all, he was one of the press lords.

Anybody who published a best-selling paper got paid off
with a title by some government or another that wanted
to buy off trouble...

Lord Northcliffe
Lord Rothermere[8]
Lord Camrose[9]
Lord Iliffe[10]
Lord Kemsley[11]

And he was Lord Beaverbrook

(It was a French lumber settlement, not far from the town where
he was born, in Canada, and it sounded good;
and then he could have a coat of arms with several
beavers, rampant, on it)

---

[8] London *Daily Mail*

[9] London *Daily Telegraph*

[10] Birmingham *Post*

[11] London *Daily Sketch* and London *Sunday Times*

His _Daily Express_ had all the big names writing for it...

Rudyard Kipling
Arnold Bennett
Winston Churchill
H. G. Wells

It had the two highest-paid – and one of the two best – political cartoonists in England working for it.

It had 1 ½ million readers.

When he shouted, politicians couldn't help listening.

"Empire Free Trade" was his idea.

– tax the rest of the world's goods

– but inside the empire, everything traded free.

Beaverbrook's crusade should remind us of what we generally forget.

England's problems came because so much of the empire was going its own way.

Canada, South Africa, Australia all had tariffs.

They weren't the same as English rates.

In fact, they were imposed on English goods.

Even India had been given the right, during the War, to set its own tariffs.

In doing so, it cut Lancashire cotton-spinners out of the market, and protected Indian textile-makers.

If Beaverbrook had had his way, all these rates would have gone down.

England would have taken back the powers it had given up, to set tariffs for the empire as a whole – and make the industries of the Empire work mainly for England.

Needless to say, this wasn't something that sat well with the Dominions.

They wanted protection against outsiders.

But to get it, they weren't about to give up their own right to tax English goods, or get hammered down by factories in Leeds and Manchester.

C. The Ottawa Experiment

The open door was slammed shut here.

The Ottawa Conference in 1932, where protectionism became the norm in the empire.

Yet protectionism was already the norm in the Dominions, and had been for quite some time.

Now there would be preferential treatment between imperial possessions, where commerce was concerned.

All the dependent territories of Empire were brought into this.[12]

Was it an aggressive act?

On the contrary, it was a response to autarky everywhere AGAINST British trade.

Hawley-Smoot tariff being a case in point.

The colonies were as badly off as England was.

And by 1932, man, were they hurting! And man, did their price on the world market for foods and raw materials they were selling make them scream!

What Ottawa showed, though, was that the Empire wasn't what it used to be.

The deals weren't a one-way street in England's favor.

England gave the colonies a special deal in trade.

But for the most part, the Dominions were allowed to keep their

[12] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 100.

rates up against English factory goods.

There'd be no "Empire Free Trade" after all.

Instead of England decreeing for the Empire, what actually happened at Ottawa was a cluster of two-way and three-way treaties, covering this set of goods and that, and each of them negotiated by the British government one-on-one.

Did it work? In some ways, yes.

British trade inside the empire went way up.

Where Britain had taken 38% of Australia's exports in 1929, it was taking 56% nine years later.

And New Zealand now had a market in England for 84% of its exports – not 75%.

The Dominions bought more English goods, too.

But the whole idea of preference is that the British market is going to replace the world market, in defining what price you get for your wheat and your wool – it will raise it much higher, and keep it there.

1. Could you make a wall that no foreign cheaper good could get over?

That was what the people arguing for imperial prference claimed.

But most of them knew it wasn't going to happen.

If sheltered markets is an umbrella, it's an umbrella with holes – and it has to be, by definition.

Because a lot of goods the empire makes, it doesn't make ENOUGH of to suit imperial demand.

You've got to bring in foreigners' goods

And a lot of other goods, you make too much of. Even if you sold all of it you made to the people in the Empire, you'd still have tons of it left over, to sell somewhere else.[13]

Wheat, for instance ... wool, for instance.

But of course, if the foreigners who raise wheat and wool can't sell in England, they will have to sell more in any other markets they can find.

They'll sell for less – and they will drive the British out of the market, and drive the prices down.

Australians and Canadians and South Africans would agree that imperial preference would give a really effective shelter to many commodities

... like meat, and like dairy produce, and canned fruits and dried fruits and tobacco and wine.

---

[13] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 107.

So it was possssssssssible that the right kind of imperial preference
would let the people making THESE get a better price.[14]

But what's good for some is nowhere near good for all.

Say you grow vegetable oils in Nigeria.
Most of your markets are outside the Empire.
Foreign demand is what keeps you in business.

Coffee in Kenya – tobacco in Nyasaland ... those work a lot better.

[14] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 107.

Imperial prference is aces and swell for them.[15]

Go to just one Dominion. Was preference good for Australia?

Depends on who you are and what you do.

Dairy produce ... the growers of fruits and wines and fat lambs were on velvet. They could sell all they needed in England, and they got much better prices.

But the growers of wool were the biggest part of the export industry.

Imperial preference practically killed them.

They couldn't keep prices up – they had to sell in foreign markets

– and all those countries that were being penalized, who grew sheep – or fruits or wines or fat lambs – wanted to give SOMEBODY a smack, and it was the first Aussie they saw – the man trying to sell his wool there.[16]

Yes, well, did it help Britain out of the Depression?

The two industries that did the most to recovery were

[15] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 108.

[16] W. K. Hancock, **Empire in a Changing World** (New York: Penguin, 1943), 108.

Construction
Iron and steel

And they had very low effective rates of protection.

You can't say the tariff made any difference there.

Did it promote a self-sufficient empire?

That had been one of the aims of the Empire Free Trade crowd.

But the empire was no more self-sufficient than before.

So by 1938, imperial preference was already shifting, changing.

By then, America had diminished its high tariff some.

And in 1938 it signed a commercial treaty with British and Canadian governments.

By then, Australia was dropping away from the Ottawa doctrine, turning to the world market.

In 1938, British and Australian authorities issued a joint statement – a virtual elegy on Ottawa.

It was a come-hither to America for trade treaties.

Development

The other aspect of the colonial relation was that, when it came to making the empire into an economic powerhouse, not much got done.

Goodness knows, England had need of it.

– the mineral wealth of the Colonies could provide it with all the supplies of raw materials it needed... if somebody bothered to tap them, or even to find out where they were.

There was plenty of talk about pouring money into colonial economic development.

It just never happened between the wars.

C olonial policy had three purposes:

1. to improve the living standards of the people in ran

2. to milk them for their raw materials, for all the industrial nations of the world

3. to make sure that Britain had markets to sell its finished goods, and a place to get its raw materials in cheaply.

And this was only fair, because the bill for defending the empire and administering it was being paid by British taxpayers.

The trouble is, the three goals work against each other.

– how do you raise the colonists' living standards and still get the raw materials cheaply?

You can't do it if you raise their wages.

So when there were things to shell out for, England shelled out for...

Public health
Internal transport and communications

Sanitary facilities

Infrastructure.

But not for electricity and power projects for consumers

Not for forestry or fisheries.

Not to develop agriculture

Malaya was the richest British colony. As of 1930, its total trade was more than all the other so-called "coloured colonies" put together.

Its trade in the late 1930s was greter than that of New Zealand or all the African colonies combined.

If the Empire was going to trade with America, the two things Americans would pay dollars – scarce and needed for exchange for –

were tin and rubber.

And Malaya had plenty of both.

You'd think the Empire would make the most of its resource.

But as of 1914, four fifths of the tin mining, Chinese people owned and ran.

As late as 1941, one fourth the tin mining, the Chinese did.

Malaya made 31% of the world supply of tin.
It smelted most of it at home.

But Britain only took one-tenth of the tin it exported.

What about iron ore? Malaya had plenty.

It needed discovering.

But it wasn't the English who discovered and mined it.
It was the Japanese.

How about rubber? 56% of the world's rubber came from Malaya.

But Britain got a fifth of its own supply of rubber from places outside the Empire.

Trinidad and Sarawak pumped oil. Not much, but some.

Britain could have used every pint of it.

They had to buy theirs from America and the Middle East.

But somehow, British colonial policy never got around to making the oil in the colonies pay the way it might.

Most of Sarawak's oil went to other countries, not England.

In the 1920s, just 5.4% of Britain's food came from the colonial empire.
and not more of its tobacco

and only 8% of its raw materials.

The numbers didn't go up all that much in the 1930s.

Did it make sense that Sierra Leone had mountains of iron ore – but England kept buying its iron from Germany?

Only in 1939, when the Second World War began, did Sierra Leone get to show what it really could do, given the chance.

In two years, it went from 190,000 tons to 920,000 tons.

The Gold Coast had more than enough bauxite to give England the aluminum it needed. But it took German occupation of France and Greece before england gave the Gold Coast a second look.

England could have got more palm-oil for soap and lubricants, if it had tried. In Nigeria, between 1906 and 1936, the output doubled.

But in the Belgian Congo, officials had no qualms about working the natives hard, to get the most out of them.

In 20 years, palm oil output went up ten times over.

And then, in the next eight years, even that output tripled.

With all that said, in the 1930s, the financial center of the world stayed where it had been, in London.

That was the biggest commercial and financial bloc's headquarters–

The Sterling Area.