

THE BRITISH EMPIRE

9 April 1947

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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9 April 1947

CAPT. WORTHINGTON:

Captain P. H. E. Welby-Everard, D.S.C., Royal Navy, attended the Royal Naval Colleges at Osborne and Dartmouth from January 1916 to December 1918. He served as Gunnery Officer in various ships and training establishments. In 1939, he was Gunnery Officer in the H.M.S. RESOLUTION. In December 1939, he was commissioned Commander; from 1940-1941, he was in Naval Ordnance Department, Fire Control Section; from 1942-44, Executive Officer H.M.S. BELFASE; from 1944-46, Director of Air Equipment, Admiralty. He was commissioned Captain in the Royal Navy in June 1946.

CAPTAIN P. H. E. WELBY-EVERARD:

You have four subcommittees studying the economic potential for war of certain foreign countries, and I was very pleased to discover that the British Empire is not one of the four. In the first place this allows me a certain freedom in my method of approach to the problem and secondly, I hope, it will mean that question time at the end of my talk will be easier for me than if some of you had been studying the potential of the British Empire during the last few weeks.

The task of the Industrial College is to study economic mobilization and therefore it is the economic factors of a country's potential for war that are rightly stressed during this course, but I am deliberately attacking the problem from a wider point of view.

Although we of the Fighting Services have the primary duty of ensuring that our country is ready, should war come, we must not neglect our responsibilities as citizens to do all we can to prevent war nor omit from our studies the potential of a nation to that end.

I am therefore taking a broader view of potential so as to cover not only the power to wage war but also the power to prevent war by example and leadership in world affairs.

The outline of the problem provided by the College is based upon the broad factors of Geography, Population, Natural Resources and Industrial Productive Capacity and tends to give weight to a statistical assessment of these factors.

In my opinion there is a considerable danger in so concentrating upon a statistical approach to the material factors as to overlook those

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more intangible factors such as character and systems of government. Nations are groups of human beings and national characteristics must greatly affect the nation's potential in peace or war. The actions of people do not always follow the laws laid down by the economists nor the predictions of the statisticians.

It was the Nazi ideology imposed upon the German character that enabled Germany to build up a war potential in 1939 that would not have been forecast by any statistical studies of material factors in 1933. It was the character and determination of the people that enabled both Britain and the United States to achieve the seemingly impossible in production of war equipment; no student of potential before the war would have dared to assess the war production of either country at a figure approaching what was achieved in reality, if his calculations had been based solely on material factors.

I was therefore very pleased to find this point of view supported by the new U. S. Ambassador to Britain. Ambassador Douglas at his first Press conference in London said that he thought the British economic crisis had probably been exaggerated in the United States because as he said: - "The reports have been based on statistical material which is so often indifferent to imponderables."

In the case of the British Empire a pure statistical approach and a disregard of the human factors is likely to be particularly misleading. The Commonwealth is an association of free and equal nations linked only by a community of outlook and allegiance to a common crown; it cannot properly be considered as several independent units or as a single unit, either politically or economically.

To see the place that this queer structure, the British Empire, is likely to take in the modern world we must first make a brief survey of its historical development and examine where its strength lay in the past.

If we start in the 15th Century we see in England, the first nation-state to achieve national unity; an organized system for the control and limitation of the royal authority when the rest of Europe was still ruled by despotic kings. In England, to a degree unknown elsewhere, the rule of law existed and rich or poor, noble or peasant, were equal under the law. It was the character of her people stemming from her democratic institutions that gave a small island like England, with few material or economic resources, the strength to hold her own against a far more powerful France.

The 16th Century was the era of great explorations mainly by Spain and Portugal in which Spain became the most economically powerful nation from her rich and extensive colonies in the Americas. England with a comparatively small navy challenged Spain and, by the fortitude of her seamen rather than by any material resources, broke the Spanish monopoly

in a series of naval, or perhaps I should say piratical, operations culminating in the defeat of the Spanish Armada.

The 17th Century and first half of the 18th Century was the period in which the first British Empire was built, mainly in the Americas. The British Colonies were given a degree of self-government which was an entirely new conception of an Empire very different from that of the Spanish or French Empires. At the same time English ships were engaged in spreading British trade throughout the rest of the world and the trade connections in India and the East were firmly established. Britain also initiated modern financial methods by the establishment of the Bank of England in 1694, a step which gave her an advantage over other European countries in finance.

In the year 1765 we see the Island Empire supreme on the seas, supreme in the New World and supreme in world trade. Britain was still an agriculture country inferior in manpower and resources to both Spain and France, her chief rivals. Her economic supremacy derived from her Empire overseas but this had been built, not upon any material resources, but rather upon her island position, her power at sea and, above all, those intangible factors that weld a people together-- character and democratic institutions.

Thirty-five years later, at the end of the 18th Century, Britain had changed from a position almost dominating the world to one from which many thought she could never recover her greatness. The cause of this collapse was the war of American Independence and the loss of the American Colonies combined with the continuing war against France which was a never-ending drain upon Britain's finances. It is worth noting that the basic cause of the breaking away of the American Colonies was the failure of the British Government to take into proper account the requirements of the Colonies. Here again we see those intangible factors of character and system of Government having the most profound effect upon a nation's potential.

The early part of the 19th Century until the final defeat of Napoleon in 1815 were years of misery for the British people which only their character and national unity enabled them to endure. Victory left Britain impoverished by war and economically weaker than she had ever been. However the 19th Century also marked the development of Britain's coal and the Industrial Revolution which provided her with the economic strength to build up a second Empire mainly in Africa and Asia. From 1800 to 1910 the population of the United Kingdom increased nearly three times from some 16 million to over 46 million and during the same period there was extensive emigration to the Empire overseas. Britain had gained valuable experience from the loss of the American Colonies and put it to good effect. Firstly in a policy of emigration of the right type of men for the development of the vast areas of Canada, Australia, New Zealand and Africa and secondly in the establishment of

responsible government in the Colonies which was initiated by Lord Durham's report on Canada in 1837.

The 20th Century started with the British Empire again the leading power in the world. London was the financial center of the world, Britain owned 39 percent of the world's shipping and, on a free trade policy with no preferences, carried a very large part of world trade. This position was built upon the highly industrialized state of the United Kingdom but it was a failure to appreciate the strength that lay in the British character and system of government that was Germany's error in 1914. Britain's immediate declaration of war in defence of Belgium, her despised little army that checked the initial German advance, and the unhesitating entry of the self-governing Dominions into the war to support Britain, were all factors not reckoned with by Kaiser Wilhelm.

In the early years of the 20th Century Britain's place as the leading industrial country of the world was taken by United States. The vast resources of America behind an industrial revolution which followed the British pattern, but some 50 years later, enabled the United States to build an industrial machine that a small country like Britain could not hope to equal in size. Furthermore the development of oil fuel decreased the importance of coal upon which Britain's economy had been largely built.

In spite of this Britain still remained in 1938 the world's greatest trader, the trade of the United Kingdom alone being 14 percent and that of the Empire 30 percent of world trade or about three times that of the United States. The increasing American tariffs forced Britain to abandon her traditional free trade policy and introduce Empire preferences but, even in 1938, two-thirds of Empire trade was with countries outside the Empire and only one-third was within the Empire.

Britain's recovery from World War I was not achieved without considerable effort on the part of the people an indication of which was given by the high rate of income tax. The standard rate rose to 6/- in the £ (or 30 percent) during World War I but never fell below 4/- (or 20 percent) between the wars. This was more than double the prewar average and was a higher rate than in the Dominions or in any foreign country.

The inter-war period also marked considerable progress in the development of the government of the Empire. The pattern of colonial development moved steadily towards responsible government in the colonies to whose welfare the British taxpayer made considerable contributions. The Statute of Westminster in 1931 established the Dominions as free and equal partners with the United Kingdom, linked solely by allegiance to a common crown. Many people considered that this loosening of the legal ties would mark the dissolution of the Empire, but World War II

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showed clearly that the British Commonwealth of Nations is held together by bonds stronger than any political or legal links, bonds which lie deep in the hearts of the people.

In this brief survey of Britain and the Empire I have, I hope, shown you that, through the changing pattern of British power, there are silver threads that never change. These constant factors are the character and institutions of the British people which, with that flexibility that gives real strength, have enabled them to lead the world in most of the major changes that have occurred and to effect surprising recovery from moments of crisis.

Throughout history this ability of the British to win through from apparently impossible situations has been repeatedly underestimated by other nations. Spain in the 16th Century, France in the 17th and 18th Centuries and Germany in the 20th Century all made this mistake.

It was Marshal Soult in his despatch to Napoleon after the battle of Albuera who said "I had the English beaten. They were such fools. They did not know it and declined to run."

In 1940 the world thought the British were finished and Goering later said "Everyone knew they were beaten except the British themselves." An article by Upton Close in the American magazine "The Living Age" of August 1940 included the following statement. "Benjamin Franklin saw and warned of the rot in the British Empire in his day. What Franklin saw in 1770 in Britain becomes obvious to the world in 1940." But the Empire did recover after 1770 and the obvious did not occur in 1940.

The recent crisis in Britain, resulting from the exceptional hard winter which accentuated the postwar difficulties, has again made the sport of forecasting the end of the British Empire a very popular one. You will all have seen the many articles in the Press with such headlines as "Knell of Empire" and "America and Britain's decline" both of which appeared in the Washington Post one day in March.

The position was well summed up by a British daily—the Manchester Guardian—with the comment "The American Press is fully occupied burying the British Empire."

This comment was quoted in the weekly "New Statesman and Nation" of 8th March over the following verse—

"Who killed Cock Robin?
I said U. S.
With the whole of my Press
I killed Cock Robin."

The poem continued, as in the well known nursery rhyme, listing those who took part in the funeral rites and ended as follows—

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"Every sheet in the States
 Had obituaries written
 And they filled in the dates
 Of poor Great Britain
 They just filled in the dates
 Of the late Great Britain."

There is no doubt whatever that Britain is at present passing through an economic Dunkirk but past history shows clearly that it is premature to assume this to mark the decline of the Empire. However I do not wish to give the impression that the British character is the sole remaining asset of the Commonwealth so let us now examine some of the material factors upon which the British people can be expected to rebuild their economy.

Taking first Geographical factors. In the past Britain's insular position was an asset in Continental wars but today, with the weapons of modern war, it is admittedly more a factor of weakness than of strength. But against this the widespread nature of the Empire with its consequent dispersion of resources and industry cannot but be a source of strength in an atomic war should such a calamity befall the world. The British Empire's widely dispersed naval bases and shipping facilities all over the world have always been of the greatest value-- in war, for an effective control of world shipping and establishment of a blockade-- in peace for the furtherance of trade which has ever been the Empire's main source of economic power.

I see nothing in the future to diminish the value of this as ships will always be required to carry the main bulk of merchandise or military equipment; on the contrary the Empire's world-wide air bases will similarly be a valuable asset as air transport increases. Trade must continue to play a major part in the future and therefore geographical factors will continue to be, on the balance, an asset to the British Commonwealth.

Next Population. Although the population trends of the United Kingdom make it probable that the effective working population is decreasing, there is great scope for increases in the Dominions. In Canada and Australia, particularly, there are large areas of land for development and the rapid growth of industrialization in these countries should aid population increase if trends in other countries are any guide. In World War II the Empire had 10 million men in the armed services and mobilized its whole population for war to a degree unequalled elsewhere. Should the need arise it will do so again and the strength that derives from the free but united peoples of the British Commonwealth is a factor that cannot be disregarded.

As regards Natural Resources the Commonwealth is exceptionally well provided and practically every raw material required by man is found in some part of the Empire. Furthermore there are extensive deposits still

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to be developed such as the iron ore of Labrador and what is perhaps the largest coal mine of the world in Burma. In the atomic age now upon us the uranium of Canada must play an important role in world affairs.

I come now to Industrial Productive Capacity which must be a basic factor in the problem. There is in the United States a mistaken idea that British industry is out of date and belongs to the horse and buggy age. Let us look at some of the evidence. In the years between the two World Wars British industry showed a stability combined with adaptability that greatly aided its recovery from World War I and enabled it to weather the depression with less serious effects than were experienced in the United States.

Over the whole period employment increased by more than 25 percent. Large scale re-equipment of the older industries was started, notably in steel, and an ingenuity and inventiveness reminiscent of the 19th Century was shown by British Industry in adapting itself to new conditions and developing new fields. Between 1930 and 1935 the output of rayon yarn increased $2\frac{1}{2}$ times and that of staple fibre over 30 times. The synthetic dyestuff industry tripled its output between the wars while the plastic industry grew from nothing to one employing 100,000 workers and using annually 4 million tons of raw materials from the coal and gas industries alone.

The 1938 trends showed British Industry to be on a rising tide as regards both quantity and quality.

Then came World War II when Britain diverted nearly three quarters of her manpower and production from civilian to war purposes. This had a crippling effect upon her economy and presented the country with an acute problem of reconversion in addition to the repair of war damage.

The progress already made is heartening as the figures show. At the end of 1946 production had increased by the following percentages compared with 1938--steel 25 percent, zinc, copper and tin 30 to 50 percent each, aluminum 150 percent, trucks 40, motorcycles 80, agricultural tractors 100 and locomotives 120 percent respectively. Many other industries showed increases in varying proportions.

In 1946 the United Kingdom built nearly a million gross tons of merchant shipping which was over 50 percent of the world output and nearly equalled her wartime peak of 1942.

Productivity per man-hour is of course the true index of industrial efficiency and although there are no comparable statistics the indications are that productivity is relatively high and on the increase. Even in coal, which is Britain's problem child, output per man-shift has improved in 18 months as much as it did in nine years after World War I.

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A factor that is also of importance is the comparative freedom from strikes in the postwar period due to a free system of collective bargaining and a high degree of cooperation between Management and Labor to do the best for the nation as a whole. An example is the recent comprehensive agreement on wages and conditions in the Merchant Navy which was reached without any arbitration or Government assistance.

While the facts and figures show great progress in reconversion of industry in the United Kingdom the position in other parts of the Commonwealth is even more encouraging. The war meant a great expansion of industrial capacity in the Dominions who are therefore in a position to make increasing contributions to the potential of the Empire. Taking steel production as an index, capacity was increased between 1938 and 1943 by 50 percent in Canada, 50 percent in India, 65 percent in Australia and nearly 20 percent in South Africa; and similar expansion of industry is to be seen in many other fields throughout the Commonwealth.

With British Industry in such a healthy state you may well ask-- "What is the trouble? What is the present crisis?" The answer is that the problem is mainly a financial one--the balancing of overseas payments. As a result of our war effort we have achieved the distinction of being further in the red than any nation has ever been.

Britain must import large quantities of raw materials, food, etc. Before the war she paid for these from three main sources: export of manufactured goods; her "invisible exports" or receipts from shipping services, insurance, etc.; and her income from foreign investments.

In the early part of the war, before Lend-lease, Britain sold a large proportion of her foreign investments to finance war production in America. By her conversion to war production exports were reduced to about one-third of the prewar scale. War shipping losses have seriously reduced her income from this source. On the other hand imports must be maintained.

There is therefore a serious deficit in Britain's postwar balance of payments which can only be rectified by a considerable increase in exports and the drive is now in that direction. On VE-day exports were only 33 percent by volume of the 1938 figure. By the end of 1946 this had already been raised to 111 percent but the planning figure to be reached is about 170 percent to balance the economic budget. Until this is achieved the British people must remain on an austerity scale with rationing of food, clothing, etc., as strict as during the war, and shortages in all fields of consumer goods.

The United States and Canadian loans are the means that enable Britain to pay her way during the interim period of building up a healthy balance.

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Your studies in The Industrial College will have shown you the absolute necessity for Government planning and a degree of Government direction and control for the efficient mobilization of a nation's resources for war. Britain's present position makes it equally necessary for a planned economy in this postwar period as, just as in war, time does not permit of the delay in achieving a balance by the normal laws of supply and demand in a free economy.

There is a mistaken view, not uncommon in America, that the British Government's plans are more or less limited to nationalization schemes. On the contrary, cooperation between the Government and both sides of Industry is a key point in Government policy.

The Government is setting up a Planning Board, representative of Management, Labor and the Government planning staff to work out together the development of the economic plan.

Another example of cooperation was the working parties set up for thirteen privately owned industries immediately after the war. These Working Parties, which consisted of representatives of Management and Labor from the industry concerned, and also outside experts such as economists, accountants, engineers, etc., made reports to the Government upon what was required to improve the efficiency of the industry. It is noteworthy that in most cases these reports were unanimous. A Bill is now before Parliament to enable Development Councils to be set up within each industry to implement the recommendations of the Working Parties.

This planning is achieving considerable success and, due to the acceleration of the export programme at a higher rate than had been predicted, the deficit for 1946 was only 1.8 billion dollars compared with the estimated figure of 3 billion dollars.

I might mention here that this Government planning and cooperation with Industry, in peacetime, would be a tremendous asset should it again be necessary to carry out an economic mobilization for war. Students of The Industrial College will fully appreciate the advantages of such a policy.

I have but shown in the briefest outline the task that is before Britain at the present time and which, in the democratic way, has been explained to the people in a recent Government White Paper. I have also tried to show how all sections of the community are working together to the common end with the guidance of the Government's over-all planning. History I think shows us that the British people have invariably been at their best with their backs to the wall and will therefore successfully surmount what is probably the severest test a democracy has ever had to meet in peacetime.

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I have spoken only of the United Kingdom's immediate difficulties but the remainder of the Commonwealth is by no means indifferent to the future of the Home Country and can be expected to cooperate fully in solving the problem. Examples of steps already taken are the increasing share of the defence of the Empire now being accepted by the Dominions, notably Canada and Australia, and also the recent gifts of 100 million and 40 million dollars given to the United Kingdom by Australia and New Zealand respectively.

I hope I have convinced you that, in the world as we see it today, the British Commonwealth is a powerful force to be reckoned with and that you should discountenance some of the gloomy forecasts that have been so common recently.

But what will be the position of the British Commonwealth in the world of tomorrow? The world of 20, 50 or 100 years' time? In the first place we know nothing of the world of tomorrow except that it will not be the same as the world of today and that factors that count for much now may then be of comparatively little importance. We can however be fairly certain that the world will be smaller in the sense that communications and transport bring the peoples of the world closer together. Similarly the different countries are all becoming more interdependent upon each other.

I also suggest that, as the development of world resources approaches saturation point the capitalistic age, as we know it today, is approaching its end. There will no longer be the same scope for development and expansion by the individual for his own ends as, in the tighter economy that will exist, the interests of society as a whole will need to be given first consideration.

As Britain set the pattern for democracy in the 15th Century, the pattern for modern finance in 17th Century, the pattern for colonial development in the 18th Century, the pattern for industrialization in the 19th Century, so I suggest that Britain is today setting the pattern for the democratic planned economy of the future and that the British Commonwealth is setting the pattern for world government.

I started with stating my subject, "The Changing Potential of the British Empire." I will end by saying I think the changing potential of the British Empire is probably best described by a saying of a French writer of the early 19th Century, who wrote: Plus ca change, plus c'est la même chose."--the more it changes, the more it remains the same.

Thank you.

(Applause)

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CAPTAIN WELBY-EVERARD:

Are there any questions? I don't guarantee to be able to answer any, technical economic questions.

A STUDENT OFFICER:

I would like to ask you, Captain, what the national debt of Great Britain is? Can you tell me that?

CAPTAIN WELBY-EVERARD:

I'm afraid I can't; I haven't got the figures. As I said, we have the distinction of being more in the red than any other country.

A STUDENT OFFICER:

That's why I asked.

CAPTAIN WELBY-EVERARD:

I don't know what the figures are, I'm afraid.

(Note: Captain Welby-Everard subsequently informed the questioner the overall national debt of the United Kingdom is approximately 25 billion pounds (\$100 Billion) which per capita is higher than in the U.S.)

A STUDENT OFFICER:

I think you mentioned this point in your discussion, but what is the attitude of venture capital in your situation if your taxes are the same as they were during the war and there is a prospect of their staying that way for a few years? Will venture capital come out for a revolution of your production methods or the installation of new facilities, or are they going to sit back and hold what they have?

CAPTAIN WELBY-EVERARD:

What capital?

A STUDENT OFFICER:

Venture capital; new capital.

CAPTAIN WELBY-EVERARD:

There is no doubt that the Government's nationalization scheme does tend to make private enterprise a little cautious because they

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don't like putting a lot of money into something and then seeing it taken over.

But, at the moment, on the whole I think that private industry is getting down to the job very well. An example is the steel industry which, at one time, the Government proposed to nationalize. But the steel industry itself offered an excellent plan for improving its own efficiency including a big expansion program. As a result, nationalization of steel is now no longer intended.

Now, as I say, they are wondering what a Socialist government does mean. But my own personal feeling is that the Socialist government is not going to be able to go very dangerously far. The nationalization of public-utilities has, whatever you may think, a certain amount to be said for it. At the moment, that is all they are proposing to nationalize. Steel was the only industry proposed for nationalization that wasn't a public-utility and as a result of discussion in Parliament the Government accepted the industry's own plan.

A STUDENT OFFICER:

From the point of view of public opinion, do you think there is any possibility of this European union, such as Mr. Churchill and several others have suggested, ever emerging; that is, France, the Low Countries, and possibly a part of Germany?

CAPTAIN MELBY-EVERARD:

From my own personal opinion, I should say no,--not from public opinion at home. There are a certain number of people in England who always have been very pro-French, but I think they are fewer than they used to be. At the moment everybody at home is so bent on getting out of their own immediate difficulty that I don't think the people are really thinking very much about combining with Europe.

Of course, our major problem is that we have got to get Europe on its feet again. At the moment, forty-two per cent of our imports come from the Western Hemisphere while only fourteen per cent of our exports come over here.

Our big problem is the dollar exchange which is even more serious because most of our exports are going into the European countries and they cannot pay. If they do pay, they don't pay in dollars; they pay in their own currency. As someone expressed it the other day, "we are borrowing our imports and giving away our exports." All of this makes the dollar question even more difficult.

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But I shouldn't think there is very much talk among the people as a whole in England about uniting with Europe.

A STUDENT OFFICER:

Relative to the planned economy, there has been a suggestion made that the coal crisis in England is the responsibility of the Government; that it could have been avoided if it had been in the hands of private industry and subject to the law of supply and demand. For example, when the stocks became low, prices would have gone up and there would have been an inducement for the people to conserve on coal; likewise an inducement to develop the mines and to increase production on account of the greater profits. But with prices up, there was no inducement to conserve and no inducement to increase production. So this caught up with them. Whereas the private-enterprise system would have automatically adjusted that.

CAPTAIN WELBY-EVERARD:

Well, after all, the coal situation, which was accentuated by the very bad weather--of course, the weather wasn't the only cause--hasn't happened just since the end of the war. It has been building up progressively for some years.

During the war we had to control prices and control wages the same as you did here in this country. Even if we had taken off all controls immediately after the end of the war, it would never have given time, as you say, for the supply and demand to have rebuilt the position. I am quite certain of that, particularly at a time when industry was trying to get all the coal it could in order to get going again. It takes a long time for supply and demand to find a balance, I think.

Anyway, one of the main difficulties was the question of the distribution of coal, which private enterprise could not have dealt with. The distribution difficulty was the final straw that broke the camel's back, caused in some respects by the weather. But all along during the war distribution has been one of the main difficulties.

The other thing, of course, is exports. If private enterprise had been allowed to, they would have exported more coal; everybody wanted it. They, in all probability, would have got better prices for it if they had exported abroad and the position in the country would have been even worse. We have hardly exported coal at all since the end of the war.

I really do not think it is a situation where supply and demand could have solved the difficulty.

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A STUDENT OFFICER:

What is the situation on the total coal reserves in the British Empire? They have pretty well tapped their reserves, haven't they?

CAPTAIN WELBY-EVERARD:

In the United Kingdom or the Empire as a whole?

A STUDENT OFFICER:

In England.

CAPTAIN WELBY-EVERARD:

In England, of course, it is no longer in its first prime, but there is still a lot of coal left. The trouble is that in most cases it is getting increasingly more difficult to mine.

Certainly, as a natural resource, the curve on coal in England is going down; it is not rising any more. There is a lot of coal still to be developed in the Empire.

A STUDENT OFFICER:

What is the procedure for distributing profits, if any, from nationalized industries?

CAPTAIN WELBY-EVERARD:

The object of the nationalization of industry is that there should be no over-all profits. They should adjust their figures as necessary to make enough profit to be able to invest new capital to maintain and improve the efficiency of the industry.

A STUDENT OFFICER:

Do they pay taxes? Is there any contribution to the Government, in the form of taxes?

CAPTAIN WELBY-EVERARD:

A nationalized industry is controlled by a corporation that is directed by the Government. The Government can administer the policy so as to make a profit, if desired, which would presumably come to the Treasury. The policy is of course subject to Parliamentary control.

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You see, the main object is to improve the services given to the public, not to make a profit on it, except such profit as is necessary to keep the thing going efficiently and to expend new capital on it.

COLONEL MCCARTHY:

Would you care to express your degree of confidence in the present Government or Administration?

CAPTAIN WELBY-EVERARD:

To be quite frank--and this is being very frank--before I came over here, everybody at home thought of me as a hard-bitten old Tory. I was always frightened of the Socialist government getting in. I wondered what would happen.

I must say that I never have been worried very much by what they have done so far. In fact, in the six or seven months I have been over here, since I have been in this country, I have found myself very nearly a Socialist. My experience in this country has made me, more and more, support the policy of our present Government at home.

From the nationalization point of view it is, of course, only a question as to where you draw the line. Even in this country your mails, your post office system, is nationalized. Why shouldn't the telephones be? They are in England. With regard to railways I think eighty-five percent of the world's railways are run by Government. Between sixty and eighty percent of the Dominions' railways are nationalized.

There is nothing against that, in principle. There is a lot to be said for nationalization, particularly as it is to be done in England, because some of the more remote districts will get better service if it is coordinated with the towns.

Apart from the nationalization aspect, I think there is really very little that a Conservative Government wouldn't have had to do. They would have had to have some sort of a planned economy. You cannot get the country out of its present difficulty without it. I am quite certain of that. They would not have done exactly the same things, but the policies wouldn't, I believe, have been very different.

COLONEL MCCARTHY:

May I continue? You say "after your stay in the United States," or words to that effect. Is it because you gained a better perspective by being here in the United States, or is it from something you saw here, that changed your attitude?

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CAPTAIN WELBY-EVERARD:

I think it is much too early to be able to give that answer; I don't know. After I have got home again and been a few months at home, I might be able to say what it is that caused me to get this change of opinion over here.

I think, honestly, part of the reason is that, being fairly frequently questioned by Americans, often critically, about the situation at home, I have naturally tended to support my own Government, even if possibly I wouldn't otherwise have agreed with what they were doing. That is rather one's natural reaction. I think that has something to do with it. But, at the same time I said I would be frank--I have seen and heard a lot of things over here that I don't think could happen under our present regime at home--and I'm glad they couldn't!

A STUDENT OFFICER:

You have predicted that Britain might be setting a pattern for democratic government. Does that include industrialization as attempted by the Labor Party?

CAPTAIN WELBY-EVERARD:

I said I thought perhaps Britain was setting the pattern for a democratic planned economy of the future. I feel that all countries will have to get down to that in the future. I think that in this country the more you expand and the more you approach saturation point in the expansion of industry, which we have already reached, very nearly, in England, you will find you can't leave it to the individual and Captain Granum's theory of force enterprise. That takes much too long. Too many people suffer from it, too.

Therefore, I think if your economy gets very much tighter you have got to look ahead and plan ahead in order to make it best for the community as a whole. I think everybody will have to get to that eventually because, as I say, the world is getting smaller. There is less room for individual expansion. After all, individual expansion is always at somebody's expense, isn't it?

CAPTAIN GRANUM, USN:

Not necessarily. I would just like to rebutt that argument, that it is necessarily at someone's expense.

CAPTAIN WELBY-EVERARD:

I didn't say "necessarily". It always has been.

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CAPTAIN GRANUL, USN:

Well, I don't agree with that, either. (Laughter)

CAPTAIN WELBY-EVERARD:

It always has been mainly at Labor's expense, in the past.

There was a big expansion of free enterprise when you had your expanding economy and everybody was making a lot of money. It was the man who was doing the work who was having such a hard time.

CAPTAIN GRANUL, USN:

There is one little illustration in that connection: The first man who had a two-room house was better than his neighbors; he set the pace for improvement. You can develop that further: Everyone who improves his condition sets the pace for the rest to follow; everyone benefits.

A STUDENT OFFICER:

Granting that the strength of Great Britain is based on the character of her people, I think we will have to agree that for that people to be a basis of strength they must be unified; they must have the same mental objective.

The current American press constantly reports a doubt as to the present unity of the people. Maybe the Socialist Government has a lot to do with it. I remember a recent article in TIME Magazine which tells of the number of people who openly advocate, in the British press, that if a world crisis should develop today, Great Britain would stand on the sidelines and watch the United States.

Now I don't think you can blame some of those people for that attitude. But I wondered if you could dwell on that for a minute, as to the unity of the British people today.

CAPTAIN WELBY-EVERARD:

I think my best answer to that is that--

A STUDENT OFFICER (interposing):

In the event of a crisis between different ideologies. They are swinging very much more to the left.

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CAPTAIN WELBY-EVERARD:

I think my answer to your query is that the sort of reports you have seen in the papers are just like similar reports that Molotov finds in the papers when he wants to have a crack at Marshall or Bevin. Molotov will pick up the paper and read someone's opinion on a statement made and the Russians will say, "This is what the Americans are thinking." But it isn't, really; it is just someone's opinion.

I think at the moment--there is no doubt about it, in my own mind--the British people, as a whole, are rather fed up with life. They have had a tough winter; they had a long, tough war. They hear of other people recovering from the war while, for them, everything is just as bad as it was, and it's going to continue to be bad for another couple of years, as far as I can see. They are tired of it all. But I do not believe there is any lack of unity.

There was a big swing to the left, yes; but I think probably the pendulum is swinging back the other way. As I said before personally I don't believe there is any great difference in what any Government at present in Britain would do during the immediate future, as regards our own problem.

No, I think the people are unified. They certainly would not want to come into a war if they could possibly keep out of it. They did not in 1939. When Chamberlain came back from Munich and landed at the airport and waved his paper and said there would be no war, everybody sighed with relief and said, "Thank God!" Nobody wanted war. Nobody ever wants to go into a war. But if the thing comes and you have got to, you will get the country behind you, I'm quite certain.

There is no question as to the lack of unity either in the United Kingdom or the rest of the Empire.

A STUDENT OFFICER:

Taking up the period 1938, would you care to comment on the political astuteness of trying to orient Germany towards the east and then, after losing Czechoslovakia and Austria, to give guarantees to Poland and Rumania without obtaining any support from either the United States or Russia?

CAPTAIN WELBY-EVERARD:

Well, political questions are rather outside the economic potential of Great Britain. (Laughter and applause) I will give you an answer to it, however.

I think, politically, the greatest mistake we made as a country in the interwar period was continuing to support the League of Nations when it was quite obvious that the League of Nations couldn't work. I think we really lost a lot of face by that. We assumed undertakings then that we knew we could not support. We knew we could not keep them up; we weren't in any position to do so, which is what you said, roughly. Using the Eastern phrase, I think we "lost a lot of face."

At the time, everybody agreed it was the best thing to do. But with no United States in the League of Nations and a lack of support from many of the countries that were in the thing obviously could not work. We see now that it obviously couldn't.

I believe it would have been very much better if we had said, "This won't work" and if we had gone back to our previous policy of balance of power which, after all, was collective security, of a kind. Our traditional policy in Europe has always been a balance of power; a sort of collective security of a limited number of nations, without trying to get the whole world into it.

A STUDENT OFFICER:

I wonder if you would care to discuss briefly the effect of the independence of Burma and India on the economic potential of the Commonwealth?

CAPTAIN WELBY-EVERARD:

I don't think that has any effect on our economic position, as a whole. After all if we turn over, as we are going to turn over, the government of India to some sort of Indian government, either within the Commonwealth or without, (personally I think they will come into the Commonwealth because they cannot lose anything by doing so, they can only gain by it,) it is not going to affect our industrial and economic interests in India just because our Government walks out. There is a lot of British capital in India. The Indians having got off their chest the fact that England is the government will, I think, be all the more ready to cooperate with British economic interests in India.

Really, I think from the industrial and economic points of view we will get along much better. After all, we haven't made money out of the government of India for many years; in fact, as with most of the Empires the money flows from us, not to us.

CAPTAIN WORTHINGTON:

Thank you very much.

(Applause)

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