

Now, suppose arrangements could be made for the winners of Air Travel Fellowships to occupy a portion of these unsold accommodation—on a when-and-as-available basis, to be sure—at some purely nominal rate. On this basis a teacher from Halifax, or Montreal, or Winnipeg, winning an Air Travel Fellowship could hitch-hike his way abroad and spend 6 to 8 weeks of purposeful study and travel in a number of foreign lands, at a total cost of a few hundred dollars. What teacher worth his or her salt could not beg, borrow, or wangle a few hundred dollars for such a privilege?

The cumulative effect of several thousand of these Fellows returning each year to their schools and classrooms in different countries throughout the world would be tremendous. In a relatively few years they would reach and influence millions of youth. In the aggregate, they would

do much to weed out the intolerance, prejudice and ignorance that constitute such an obstacle to world understanding today.

Many of us have been greatly disappointed since V-J Day with the way events have gone. We expected too much of victory. We forgot that all victory did was to remove certain specific dangers. Peace is more than the absence of fighting; it is a manner of living together. Restrictive, negative measures are not enough.

To retard by arbitrary restrictions the achievement at the earliest possible date of mass international air travel, and thus improved international understanding, is to work against world peace. If we sincerely want a better world we shall not fail to promote the freest possible development of world air transport.

Britain's New Colonial System

By D. J. MORGAN

I

“**U**NDER the Providence of God, after centuries of laborious cultivation, the sacrifice of much heroic blood and the expenditure of a vast amount of treasure, the British Empire, as it stands to-day, has been got together, and the question . . . is: What is to be done with it?” Thus enquired a Nova Scotian statesman, Joseph Howe, some eighty years ago. Let us re-echo his query in a slightly modified way in relation to the British Colonial Empire in 1946: What is to be done for it? Perhaps the answer can best be appraised if it is preceded by a brief sketch of the evolution of colonial theories in Great Britain.

Everyone has heard of the “Old Colonial System,” that branch of Mer-

cantilism which applied until the American War of Independence to the relations between the mother country and her colonies. Under that system the ultimate purpose behind the acquisition of and migration to colonial territories was the increase of trade and trading. It was expected that the dependent territories would supply the deficiencies of the mother country and obtain their imported requirements in exchange. They were thus destined to complement the production of the mother country and, should their interests conflict at any time, to give way to the mother country by whose abstinence, expense and energy they had so largely attained their existing wealth. This latter argument was regarded as justifying, for example, the Navigation Acts which confined all colonial transportation to English ships and the “Enumerated Articles” which might be shipped only to the mother country. In a word, colonial areas were generally

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regarded as estates whose development was primarily intended to benefit the mother country. As Adam Smith maintained, "Of the greater part of the regulations concerning the colony trade, the merchants who carry it on, it must be observed, have been the principal advisers. We must not wonder, therefore, if, in the greater part of them, their interest has been more considered than either that of the colonies or that of the mother country."

The year 1776 saw both the loss of the first British Empire and the publication of Adam Smith's celebrated *Wealth of Nations*. The American War of Independence demonstrated the political myopia of mercantilism; Adam Smith attacked it for its economic sophism. Given the desire to increase wealth within the framework of an expanding economy, Smith's arguments were incontrovertible. No one, for example, could gainsay him on economic grounds when, in regard to the old policy of confining trade to the mother country, he declared roundly that "by rendering the colony produce dearer in all other countries, it lessens its consumption, and thereby cramps the industry of the colonies, and both the enjoyments and the industry of all other countries which both enjoy less when they pay more for what they enjoy, and produce less when they get less for what they produce." The conclusion was clear: like all monopoly, the monopoly of colonial trade was a drag on those forces which operated to increase the wealth of nations; its abolition would redound to the general advantage, though special interests would inevitably suffer. But this conclusion took time to percolate through so as to secure its implementation against the will of shipowners and other beneficiaries from the *status quo*; it had to wait until the industrial changes then beginning in England had gone sufficiently far to render the regulations of mercantilism nothing but shackles on further development. It was this same development that carried into effect the political lesson of 1776. Smith had

argued that the colonies contributed neither towards defence nor towards civil government, and, therefore, voluntary separation from the mother country should be approved willingly. Yet, as he foresaw, both national pride and the private interest of the governing class would combine against such a course. He suggested the alternative of participation of the colonies in the Empire on the basis of economic and political equality: "The constitution would be completed by it, and seems to be imperfect without it." The results of the fascinating evolution of Dominion status from the Durham Report of 1840 to the Statute of Westminster of 1931 fully bear this out.

After 1815, then, England came, at first with reluctance but later with zest, to accept the logic of expanding industrial capitalism in her relations with her dependencies. Widening markets, greater division of labour and dependence on food imports compelled her to adopt Smith's reasoning, and his great commercial republic replaced the parochialism of the mercantile state. Rapid population growth, first in England and then elsewhere, combined with spatial expansion of capitalism to keep the mechanism of dynamic development going, although, of course, the movement was not uninterrupted. But in the heyday of its growth the colonies inevitably shared in the prosperity engendered. The connection between expanding capitalism and colonial development was a simple one. The expanding markets for raw materials and foodstuffs assured the producer of profitable prices, which stimulated investment, which, in turn, led to the development of colonial resources and secured for the colonists higher incomes which meant better standards of living. Under the aegis of expanding capitalism it appeared that the meek might indeed inherit, if not the earth, then a significantly larger claim on its products. It was inherent in the logic of the system and, as such, required no authoritarian guidance or supervi-

sion; private enterprise could be left to bring it about. And when Government funds were used for colonial development a direct return was expected just as from private investment. When and where rich natural resources and expanding markets were coupled with the free trade policy of the "open door," which kept fiscal burdens light and minimized the danger of international rivalry over colonies, development proceeded apace.

II

Colonial territories, in so far as they had resources to develop, came to rely not only on the continuance of dynamic capitalism but also on its continuance in much the same direction. For not only did they export something of the order of four-fifths of their output—as against less than a third at the highest of industrial output exported by the United Kingdom—but their few staple lines accounted for the greater part of their total trade. In 1936, to take a recent year, groundnuts accounted for 98 per cent of the exports of Gambia, cotton for 80 per cent of that of Uganda, sugar for 70 per cent of that of Fiji, and so on. And this extraordinary degree of specialization had a further important repercussion. As incomes rose an increasing share was devoted to imported goods because of the lack of local production; there was little secondary effect on local industry. When incomes fell, either because of a general decline in the demand for primary products or because of a fall in the demand for the staple of some particular colony, there was squalor indeed for alternative employment was negligible and very often there was pressure on the available land owing to the size and rate of increase of the population. These things have happened and still happen from time to time to territories well endowed with natural resources and where the problems of labour supply and transport are not insuperable. Territories which lacked any of these pre-requisites for capital

development remained outside the pale, resembling divinely ordained slums, even when the British Government admitted the inadequacy of local revenues and made a nicely-calculated grant from its Exchequer.

When not only markets for primary products ceased to expand at previous rates—and a secular decline, shown by the worsening terms on which such products could be exchanged for manufactured goods, began after roughly 1875—but when also the Colonial Empire was brought by decision of the British Government within the system of imperial preference after 1920, the colonies came not unnaturally to regard themselves as having both the need for and a right to more handsome financial assistance from the mother country. It was argued, and sometimes not without good reason, that if they had been autonomous economies, the hardship of the secular fall in demand for their products would have been cushioned by the greater diversification of their economies, just as the Dominions had fostered by protection local authorities. By denying them this natural shelter from some of the rigours of monoculture, the mother country had, *ipso facto*, made herself liable for their general development and welfare.

The need is undeniable. The colonial territories are characterized by low per capita productivity, due to excessive population in relation to land area and real capital available and the low levels of skills, proficiencies and general knowledge possessed by the populations generally. Typical of the various territories in these respects are the West Indian Colonies. In his Report for 1943-44 Sir Frank Stockdale, the Comptroller for Development and Welfare in the West Indies, says: "In 1942 the national income per head of population was £27 in Barbados, about £26 in Jamaica and £24 in Granada (which was fortunate in the relatively high prices realized for nutmegs) . . . In St. Vincent, typical of the smaller islands in the eastern group, the national income was only

£15 per head of population. These averages conceal a good deal of inequality in the distribution of income. Thus in Jamaica income taxpayers representing $2\frac{1}{2}$ per cent of all families received over 13 per cent of the national income. For Barbados the corresponding figures are 7 per cent and 30 per cent, for Grenada 4 per cent and 17 per cent, and for St. Vincent $1\frac{1}{2}$ per cent and 11 per cent." Of the picture that these figures conjure in our mind, it can be most emphatically said with Professor Raymond Burrows, who spoke of the Union of South Africa, "nor is the problem merely one of unequal distribution, since an equal distribution of incomes would only result in everybody being miserably poor. Such a division might, of course, just be enough to give everyone one meal a day, assuming that the food was available, and nothing was spent on anything else."* The problem is one of raising productivity, not of simple redistribution.

III

A new conception of policy was needed, a conception not wedded either to net export surpluses nor yet to budgetary surpluses: the need was often greatest just where there were deficits in either or both. At last, in 1929, a new approach was promised by the establishment of the Colonial Development Fund; in the following four years some £4 million was allocated for the purpose of "aiding and developing agriculture and industry" in the colonies. The size of the Fund in relationship to the needs of the colonies was, of course, microscopic. But the new departure in British colonial policy was none the less significant, even although (in the words of the 1934 Report of the Fund) "in examining the schemes submitted to them the Committee have kept principally in view the question how far they satisfy the two conditions of the Act"—that is, aiding and developing the colonies—they were "thereby promoting commerce with or industry in the United Kingdom." Thus, as Professor W. M. Macmillan commented, "The

new spirit, in fact, still wrestles unequally with the old prejudice that the economic justification for holding colonies at all is that they should provide the mother country if not with a direct profit, then at least with ready-made sheltered markets. The British politician, and the burdened taxpayer behind him, has still to learn that the imperial burden can be lightened by a free flow of commerce only when the peoples of the colonies have first been put on the way to bettering their own conditions." The creation of the Fund did not involve the abrogation or revision of the old principle that a colony should have only those services which it could manage to maintain out of its own resources. Until that principle was superseded the basic problem of poverty could not be seriously treated.

The revision was made, rather paradoxically, in February, 1940, when Britain and the Empire were plunged into a struggle for their existence. Parliament approved a new vote for assistance to colonial governments up to a maximum of £5 million a year for the following decade. It was to be available not only for schemes involving capital expenditure necessary for development in the widest sense but also for helping to meet recurrent expenditure on such services as agriculture, education, health and housing. As the Colonial Secretary said in his "Statement" to Parliament, "The first emphasis . . . will be on the improvement of the economic position of the colonies. That is the primary requirement, upon which advance in other directions is largely consequential. It is by economic development that colonies will be placed in a position to devote their resources, to the maximum extent possible, to the provision of those government and other services which the interests of their people demand." So the new spirit of the age at last won its battle against deep-seated prejudices, even

**The Development of Southern Africa*, p. 5 (South African Institute of Race Relations 1945).
Africa Emergent, p. 290 (Faber & Faber, London, 193

although the help was to be related to what the colonies could do for themselves from revenue sources and loans raised both locally and in London. Under conditions of total war little could be done except the preparation of development projects for immediate implementation when men and materials were available. In his circular of November, 1945, the Colonial Secretary urged the drawing up of plans for the decade beginning April, 1946, for which the total allocation of money for these purposes would be £120 million, which it is hoped will be supplemented from private investments in the colonies as well as from the funds that the respective colonies can raise. No Britisher need any longer be dissatisfied with the treatment of the Colonial Empire by the Imperial Parliament, particularly at a time when Britain herself has been compelled to seek a loan to carry her over the years of transition to a new equilibrium. Yet it would be foolish to over-estimate the contribution this sum, spread over the whole Colonial Empire, can make towards the solution of the problem of poverty, for, as Sir Frank Stockdale says in his Report for 1943-44 on the West Indies, "in many areas poverty, ignorance, overcrowding, unemployment, illness, discontent, and even despair may be so overwhelming as to touch the emotions of the most dispassionate or 'scientific' of observers." We have, in a word, merely taken the right road; we have taken but a first, tentative step on that road.

IV

Unfortunately, it seems as yet to be premature to expect any very rapid progress along that road. For although the Colonial Office has agreed both that Imperial subventions to the colonies must not be used in ways which would retard the development of self-government and also that it would be unwise to establish welfare services on a scale which the colonies could not reasonably be expected to support without a permanent recurrent grant-in-aid, it has still

not clearly committed itself on the precise manner in which the problem of poverty should be tackled. From the recent history of the West Indies two instances of conflict can be found. First, there is a marked difference between the recommendations of two committees that have considered the position in Jamaica. Whereas the Report of the Agricultural Policy Committee (1945) has stated that the outlook for the island was dark "unless a determined constructive effort is made to use the resources of the country for every industrial purpose for which they are suited," the Report of the Economic Policy Committee (1945) is opposed to the idea that "Government should invest in new enterprises or should lend money for that purpose. If private capital, whether local or external, is unwilling to take the risk of investing in some particular field, there is quite a possibility, on the face of it, that Government would lose some or all of its money." Again, the unofficial West Indian Conference held in Barbados in March, 1944, recommended that attention should be paid to industrial development in the Caribbean in order to increase the production of wealth, to decrease unemployment, to diversify the economy of the area, and to provide a wider range of occupations for the working populations. In pursuing these aims, the Conference recommended that "where a government is convinced after thorough research that a new industry would be desirable and private enterprise—whether local or external—is unwilling to take the risks of investment, then if it is considered that the industry would be of special value to the community, government might itself provide part or all of the capital." But the official response has been disappointing. It was issued after great delay, and presumably after some reflection, on 16th January, 1946. The tone of the London *Times* editorial (17 January, 1946) admirably indicates the reception of the considered judgment. "The resolution in favour of the encouragement of home

industries might well have received a more generous welcome" while "in its attitude, always hesitant and occasionally hostile, towards projects of closer integration it lays itself open to the charge of running counter to the movement both of West Indian opinion and of events."

The battle royal has thus been joined. On its outcome the economic and social future of the Colonial Empire depends. The old order will yield only slowly to the new if the diagnosis of the Jamaican Economic Policy Committee finds acceptance. That Committee found that "the remedy for unemployment lies largely with the workers themselves. If they improve the quantity and quality of their effort, industry will be able to afford to pay them more." Apparently they must raise themselves by their own bootstraps, if they have any boots. The same can be said of this picture that Professor Macmillan said of the picture drawn of African conditions: "The fallacy dies hard that the old African life

was easy and comfortable, or that Africans are born lazy and thrive on a minimum of work . . . Without the elements of a decent existence the Africans' work also lacks the quality and direction needed to make the land yield a better return. Much of their effort is wasted. There has been no real attempt to remedy defects not only in their physical but in their mental, moral, and even more immediately their economic equipment."* The New Colonial System will succeed or fail according to the choice of policy made in the immediate future. Will it be too little, too late or will it be imaginative economic construction? Is it "mainly from the land that the West Indian people will continue to secure their living*" or are local markets to be developed in a more diversified economy? The content of the New Colonial Policy hangs on the answer.

**Op. cit.*, p. 291.

.Sir Frank Stockdale, *United Empire*, Vol. XXXVI, No. 4.

Lessons of the TVA Power Program

By C. HERMAN PRITCHETT

EDITOR'S NOTE: PUBLIC AFFAIRS has repeatedly published articles to inform its readers about TVA, the famous Tennessee Valley Authority. In the summer issue of 1943, Professor J. S. Ransmeier of Vanderbilt University reported on "Ten Years of Tennessee Valley Authority." Last year research activities of the TVA were described by Lawrence L. Durisch of the University of Tennessee in an article "Regional Research: the Experience of the Tennessee Valley Authority." In view of the Federal Government's policy to develop the Dominion's natural resources as part of the nation's reconversion program, the example set by the TVA has become of even greater interest for Canada. But the question has also grown more controversial. In recent months TVA has been violently attacked in Canadian newspapers, the main allegation being that its success is due to hidden government subsidies. To examine this question is the purpose of the following article written by Professor C. Herman Pritchett, a member of the Department of Economics of the University of Chicago. He has to his credit a book on the TVA entitled *The Tennessee Valley Authority: A Study in Public Administration*.

THE Tennessee Valley Authority, created by the United States Congress in 1933, has become in a period of 13 years the largest single power producer in the United States. Its installed capacity is now more than 2,500,000 kilowatts. The TVA system generated almost 12 billion kilowatt-hours of electricity in the fiscal year 1945, around two billions more than the generation of the next largest producer, the Niagara Hudson Power Corp. About 85 per cent of this output came from hydroelectric plants at the Authority's 21 dams on the Tennessee River and tributaries, and at 5 dams owned by the Aluminum Company of America which are operated under TVA direction. The remaining 15 per cent was steam-generated power, most