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Central Intelligence Agency

Washington, D.C. 20505

6 August 2025

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Dear Requester:

This letter is a final response to your 10 June 2022 Mandatory Declassification Review request referenced above and submitted under Executive Order 13526, seeking **three CIA Documents:**

- **"Soviet Possession of the A-Bomb Upon the Security of the US and Upon the Probability of Direct Soviet Military Action" ORE 91-49 (6 April 1950)**
- **"Israel" SR-61 (24 July 1950)**
- **"United Kingdom" SR-25 (7 December 1949)**

We completed a thorough search for records responsive to your request and located the enclosed three documents. One document can be released in its entirety and two documents can be released in segregable form with deletions made on the basis of Executive Order 13526, Section 3.3(h)(2) (50X1) and Section 6.2(d) (FOIA Exemption (b)(3)). Exemption (b)(3) pertains to information exempt from disclosure by statute. The relevant statutes are Section 6 of the Central Intelligence Agency Act of 1949, as amended, and Section 102A(i)(l) of the National Security Act of 1947, as amended.

As the CIA Information and Privacy Coordinator, I am the CIA official responsible for this determination. You have the right to appeal this response to the Agency Release Panel, in my care, within 90 days from the date of this letter. Please explain the basis for your appeal. You may address appellate correspondence to:

Information and Privacy Coordinator
Central Intelligence Agency
Washington, DC 20505

If you have any questions regarding this response, you may seek assistance by calling this office at 703-613-1287.

Sincerely,

Stephen Glenn
Information and Privacy Coordinator

Enclosures

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COPY NO. 62
FOR THE DEPUTY DIRECTOR,
JOINT INTELLIGENCE GROUP, JOINT STAFF

UNITED KINGDOM

SR-25

Published 7 December 1949

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SR-25

UNITED KINGDOM

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SUMMARY

As the third most powerful nation in the world, the United Kingdom is by far the most important ally that the United States possesses. The connection rests on the firmest possible bases: unquestionable devotion to similar democratic principles; the habits of a successful working partnership in war and peace for eight critical years; and substantial identity of interests in world affairs. Everything indicates that the support of Britain for major US policies will remain assured for a considerable time. Nevertheless, differences of opinion and even conflicts of interest may be expected to arise, especially if the United Kingdom should progressively recover more strength. As its value as an ally increased, its dependence upon the US for economic and political support would decrease. It is virtually unthinkable that Britain should ever become actively unfriendly to the US, but neither can it be considered as a mere docile subordinate.

The power of the United Kingdom and its value as an ally arise mainly from the following factors: (1) its industrial production and technical skills; (2) the competence of its armed forces in time of war, which in all departments is high, and in some unsurpassed; (3) the world-wide extent of the British Commonwealth and Empire, with its numerous bases for military use, its resources of men and materials, and its many points of political and economic vantage in critical regions; (4) the enormous experience of the British in the conduct of world affairs; (5) the prestige still attaching to a country which virtually dominated the world during the nineteenth century and which emerged victorious and uninvaded from World War II; (6) the interest elicited from many peoples by the current British experiment in democratic Socialism, which appears to offer a half-way house between the capitalism of the United States and the totalitarianism of Soviet Russia; (7) the stability and dependability of the British political and social system and of the national character.

Of the sources of British power thus listed, however, many are in part holdovers from previous decades, or even from a previous century. Such include British prestige, British experience in world affairs, British participation in world finance and in world markets, British investments abroad, the strategic advantage of geographical position, and, finally, the Empire itself. To what degree can these assets be maintained; how far can they be adapted to the necessities of contemporary times? How long can the United Kingdom continue to escape the consequences of the fact that the natural resources contained within its borders are quite insufficient for a first-rate, probably even for a second-rate, world power? The answers to these questions cannot be given at present with confidence, and therefore, though no one would deny that Britain now ranks only below the US and the USSR in power, it cannot be said how long Britain will maintain this position. What can be said is that the British Government and people are making great efforts to recover from the setbacks which the war with its vast expenditures and consequent liquidation of foreign assets has most recently forced upon them.

The most pressing British problems are economic. No practicable alternative to the old pursuit of overseas trade is applicable to the British economy, but it remains to be seen whether an expanded foreign trade can still prosper if the world-wide postwar demand for goods subsides. The general approach to a solution of this problem is agreed among all

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It is based upon information available to CIA on 1 April 1949. Certain sections of Chapter IV, and all of Chapter VI, have been re-drafted as of 1 September 1949; in a few other places, generally indicated by footnotes, the text has been revised on the basis of information available after 1 April. In every case where pounds sterling have been expressed in dollars, it is at the rate of $4.03.

parties and the vast majority of the people. This approach involves a planned and controlled economy, administered in such a way as to hold down imports to a minimum (amounting to about 80 percent of prewar volume), to increase exports to a maximum (from 150 percent to 175 percent of prewar), and to modernize the industrial plant, housing, and other equipment by devoting annually some 20 percent of the national income to capital investment, thus increasing productivity and lowering costs.

Within this fundamental framework of economic policy the British have accomplished a considerable social revolution, partly from desire and partly from necessity. The curtailing of imports inevitably must produce "austerity," and the British public must be denied some of the amenities which they were accustomed to enjoy. The policy of the Labor Government, however, has been to distribute the necessities of life as evenly as possible among all classes of the people. This has resulted in deprivations for the upper and middle classes, whose standard of living has been the subject of sharp lamentation. The lower income groups have suffered less; in fact a large proportion are certainly better fed, better clothed, and healthier than they were before the war, and the real income of wage-earners has increased by some 20 percent. With these developments there is little real dissatisfaction in Britain, even among the sufferers. But the Labor Government has also proceeded with measures of socialization: with the nationalizing of some eight major economic enterprises, with a nationalized health service, and with restrictions upon business which have aroused the disapproval of Conservatives. Taxes absorb about 40 percent of the total of all incomes. New private capital formation has been rendered very difficult. The cost of living has been advancing, even if slowly. It is on such issues as these that the next General Election, expected to be held by the spring of 1950, may be fought.

Thanks to the remarkable pertinacity with which the Government's program has been carried out, and thanks also to the assistance of the United States in providing credits to cushion the worst of the postwar adjustments, the United Kingdom had by the end of 1948 practically achieved an over-all balance between the amount of goods and services which it bought from abroad and those which it sold. It still did not achieve a balance in its dollar accounts. Progress toward "recovery" was nevertheless felt both by the British themselves and by ECA officials to have been very satisfactory. The future still remained uncertain; unfortunately the economy of Britain is so dependent on foreign trade that it will be controlled even more by influences in the world at large than by the efforts and policies of the British themselves. The basic and extremely baffling dollar problem is far from solution.

Although the weaknesses and problems of Britain are mainly economic, the technology of modern warfare has greatly altered the former strategic position of the United Kingdom. Taking advantage of its geographical location, which was adjacent to but protected from continental Europe, and from which the narrow seas could be controlled, Britain in the nineteenth century kept sway over most of the world by the comparatively cheap maintenance of supreme naval power. This device is no longer possible. For obvious reasons the relative military power of the United Kingdom is less, and its vulnerability far greater, than at any time in the past two centuries. Its economic capacity under normal conditions of peace is wholly inadequate to provide the far more expensive armaments of the twentieth century. Thus Britain, though in an absolute sense no weaker than ever, is actually reduced to a secondary military position in the world, and cannot hope to meet grave military exigencies without the help of powerful allies. As a base of operations, however, the value of the British Isles remains high.

The Government of the United Kingdom is constitutionally among the most stable in the world. Communists are so slight a danger as to be negligible; other dissident groups, except for the even less appreciable number of Fascists, will confine their opposition to normal political methods. Among the three political parties: Labor, Conservative, and Liberal, there is little difference in attitude toward the United States or in general foreign

policy. The battle in the approaching election will be between Labor and Conservative candidates, with the smaller numbers of the Liberal Party tending to vote Conservative in those contests where they do not have a candidate of their own. The outcome is uncertain; the two major parties are very evenly balanced, but preponderance of opinion is that Labor would win again, by a reduced majority, if the election were held under present conditions. Events during the next months will most probably determine the ultimate result.

Predictions à la George Fielding Eliot, on the one hand, on the other hand —

CHAPTER I

POLITICAL SITUATION

1. The United Kingdom, the Commonwealth, and the Empire.

Although this Situation Report confines itself to the United Kingdom, no examination of British affairs can altogether ignore the existence and importance of Commonwealth and colonial considerations. The need arises to indicate the position of the UK in the political structure of the British complex; to discuss the terms United Kingdom, British Commonwealth, and British Empire; and to sketch some possible developments affecting relations in the Commonwealth and Empire.

The United Kingdom of Great Britain and Northern Ireland is a single political unit composed of England, Scotland, Wales, and the six northeastern countries of Ireland. The United Kingdom's eminence as a European and a world power rests, however, in large part on its relationship to the Commonwealth and the colonial Empire. The Empire provides an auxiliary to the strength of the United Kingdom not essentially unlike that provided other Western European states by their colonial dependencies. The Commonwealth, on the other hand, provides an auxiliary unique in history. As the only major power in the Commonwealth and in traditional usage the mother country, the United Kingdom is most often the leader in any common action, although its leadership has declined in recent years as a result of its own economic weakness and the increased maturity and self-reliance of the other Commonwealth nations. But the influence of the UK becomes more obvious in times of stress.

The Commonwealth at present comprises the United Kingdom itself, and the other self-governing nations (Dominions) giving allegiance to the British Crown: Canada, Australia, New Zealand, South Africa, India,* Pakistan, and Ceylon. (The self-governing colony of Southern Rhodesia, though not a full member of the Commonwealth, is frequently treated as such by the United Kingdom.) All members of the Commonwealth are sovereign states, controlling their own foreign relations as well as their domestic affairs; all are members of the United Nations except Ceylon, which has so far been excluded by Soviet veto.**

These independent nations are neither formally allied nor federated in any way. In the classic definition of their relationship to each other, the Balfour Declaration of 1926, they are described as "autonomous Communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations." Consultation when important international issues arise has become customary, and there is a continuous interchange of views; but there is

* According to agreement reached at the Conference of Commonwealth Prime Ministers held in London, 21-27 April 1949, India will, when its new constitution is adopted, become a republic but continue in all other respects its "full membership" in the Commonwealth, accepting the King as "the symbol of the free association of its independent member nations and, as such, the Head of the Commonwealth."

** It should be noted that while use of the term "Commonwealth" in the sense described above is general, it is by no means unquestioned. There is no precise, agreed definition of the word satisfactory to all authorities; for example, "Commonwealth" is occasionally and officially used as a term including not only the sovereign and self-governing nations, but also members of the dependent "Empire."

no set pattern for such consultation, no regular schedule of Commonwealth conferences, and no Commonwealth secretariat. A Governor-General represents the King in a purely formal sense in each Dominion; most Commonwealth countries maintain High Commissioners in the respective capitals of the others; and the United Kingdom maintains a department of the Government in London named the Commonwealth Relations Office which is headed by a member of the Cabinet. The UK is in fact the keystone of Commonwealth unity. Final decision on all questions of policy, however, remains with the individual Commonwealth country.

The Commonwealth has been able to exist with such a tenuous political tie, and to unite in cooperative action on serious issues, largely because of four major cohesive forces. One force is traditional and sentimental. For Australia, New Zealand, Canada, and (to a lesser extent) South Africa, the United Kingdom is the mother country from which large parts of their populations originally came (and small additions continue to come), whose earlier history they share, and which, despite the opposition of certain non-English-speaking local groups like the French Canadians and the Afrikaners, continues to set many of their cultural standards.

A second force is economic. Important changes have occurred in the older pattern by which the United Kingdom served as the metropolitan country from which the others drew most of their manufactured goods and technical direction in return for large exports of raw materials; but the United Kingdom is still an immense and stable market for these primary products, still technologically more advanced than the other countries and the major supplier to them of needed manufactures. Trade relations, partially protected by preferential tariffs and geared to a high volume, continue therefore to be intimate and mutually beneficial. Financial relations are likewise intimate and cooperative. The older Dominions have since the war given concrete evidence of their interest in restoring British economic health.

A third force is strategic: the Commonwealth nations, having fought together in two world wars and having continued close military cooperation, are putative allies—with the possible exceptions of India and Pakistan. The UK has not the ability now to defend the rest of the Commonwealth, but while the strategic dependence of the Dominions on the UK has thus appreciably weakened, the British tie continues to afford them clear advantages. The UK can be counted on for military support where necessary to safeguard the Dominions' security; it produces practically all the military research and intelligence for the Commonwealth, making the bulk of the work freely available; and it remains the source of much of the Dominions' war matériel. In some circles there is a feeling that the encouragement of the Dominions to take greater responsibility for imperial security tends to strengthen the unity of the Commonwealth. Insofar as Dominion strategic, or other, interests are affected during Big Power or other international negotiations, the UK invariably attempts to protect them.

The fourth cohesive force is ideological. Despite their racial and social diversity, all the Commonwealth countries are parliamentary democracies whose governing classes speak the English language at least as a second tongue, and in general accept English political and economic institutions. Moreover, the ideological struggle of the present time, underlining the value of solidarity on the part of non-Communist nations and moving the free world toward closer unity, also helps hold together the Commonwealth.

All of these cohesive forces, except possibly the last, are declining in strength, and the Commonwealth is today in a state of transition. British weaknesses have attenuated Commonwealth bonds. The accession from dependent to Dominion status of India and Pakistan in August 1947 and Ceylon in February 1948 aggravates the problem of Commonwealth unity. The populations of these Asian countries lack not merely the general political maturity found in the older Dominions, but more specifically the feelings cherished by Australians or Canadians toward the British Crown. Nevertheless, the consciousness of interlocking interests permeates responsible opinion in all the Commonwealth

countries. The close association continues to produce substantial mutual advantages, and the cohesive forces are still strong. It seems likely that the white-governed Commonwealth nations, at least, will act together on most issues of magnitude, although British leadership may continue to decline. Britain's degree of leadership, and to some extent the unity of the Commonwealth, are directly related to the success of UK economic recovery.

The UK has already started dropping from the terminology of the Commonwealth words like "British" and "Dominion" which are irritating to Asian susceptibilities, and contemplates a constitutional formula by which countries can be members of the Commonwealth without the traditional relationship to the Crown. There is already apparent, however, a distinction between the "old" Dominions and the Asian Dominions. A higher degree of intimacy exists between the former and the UK, leading to the prospect of an inner and an outer circle of Commonwealth nations.

The Empire, as the overseas dependencies of the United Kingdom are generally termed, is an agglomeration of territories too numerous to list and too diverse to characterize in any single generalization. The oldest part of the Empire is to be found in the Caribbean, the largest part on the continent of Africa; the most lucrative possessions as regards international trade in the Far East; while other territories such as Gibraltar and the Falkland Islands are important only for strategic reasons. The individual units of the Empire represent many stages of social and political development ranging from Bermuda's or Malta's down to the primitive tribal level found in North Borneo or the Western Pacific Islands. Few colonies contain many inhabitants who are ethnically British. The forms of government also vary, including among others Crown colonies, protectorates, and trust territories held under agreement with the United Nations Trusteeship Council. For all, fully or in some degree, the UK bears the responsibility for central administration, security, and finance. In all the dependencies are governors and other officers of the Crown who are responsible for the character of their administration to the Colonial Secretary in the London Cabinet. In most, the peoples enjoy some participation in the local Colonial government.

Though the UK Government imposes no taxes for its own account on the dependent areas, and even grants financial aid and special subsidies for welfare projects in them, the UK as a whole derives important economic benefits from the possession of most of these areas. As direct sources of food and other raw materials, as dollar-earners in international trade, as markets and opportunities for investment, they are collectively an important part of the British economic system. Long-term plans for the revival of the British economy contemplate an even greater role for the Empire in the future and allocate scarce capital goods for extensive colonial development programs (particularly in Africa) on the theory that such programs will not merely help feed the United Kingdom but also raise the standard of living of the colonial populations and persuade them that the British connection is to their interest.

The concurrent political development envisaged for the Empire looks to the UK's experience with the Commonwealth countries for an answer to the problem of colonial nationalism. In contrast to French colonial theory, which makes representation in the parliament of the metropolitan country the goal of colonial political development, the British in general offer their colonial peoples a gradual progress up the ladder of increasing self-government with Dominion status at the top. One former part of the Empire, Burma, has been allowed to sever its British connections completely; and the postwar constitutions in a number of other colonies have measurably widened the inhabitants' control of their own affairs. This policy is a mixture of genuine altruism, recognition of the limitations of British power, and an underlying conviction that the strong stream of colonial nationalism can be coped with only by dikes and spillways, not by dams. It is not a policy of liquidating the Empire, for in neither of the spheres really important to the UK— the economic and the strategic—have the ties been seriously weakened. The present Labor Government is not imperialistic in principle, but it

is as concerned as any other would be with Britain's international stature and its world-wide strategic requirements. The pace of colonial political and economic development has reached a historic high under its guidance, not as a liquidating process but as a strengthening one. Relationships within the Empire will change steadily as a result of British policy. There is reason for believing, however, that while some elements may follow Burma out of the Commonwealth and Empire, the progressive leadership and cohesive forces flowing from the UK—economic, political and security—will continue to hold the majority. The success of the UK, however, in maintaining this more flexible means of influence depends not only on the political skill of its governments but also on the recovery of a sound economic position.

2. The Genesis of British Parliamentary Democracy.

The British system of government is the product of more than a thousand years of gradual evolution. In its essential continuity, its relative freedom from violent civil conflicts and revolutionary upheavals, its lack of moments of sweeping innovation, this evolution is unparalleled in the history of modern nations. Yet along with their penchant for gradualism the British have displayed an extraordinary creativeness in the practice of politics and government. The structure of civil liberties, the processes of parliamentary government and of limited monarchy, the independence of the judiciary and the rule of law were turned into working reality by the British, and their form of government has consequently enjoyed incomparable prestige throughout the world. It was for long the principal model for all men of liberal political persuasion. It has inspired countless revolutions. And its evolution has not ceased; the system is even now passing through a period of transition, as it has often done in the past.

In the evolution of British political institutions, the most important factors have been the character of the people, the insular and protected position of the country, and a great degree of good fortune in the early succession of monarchs, who were apt to be strong when strength was needed and weak when weakness was beneficial. The history of government in medieval England is largely that of strong kings suppressing the lawlessness of the nobility with the frequent help of the rising middle class. When this work had been accomplished the middle class turned against its ally, and reduced the king to the status of a useful ornament. As the twentieth century opened, the position of the middle class itself began to show signs of weakness, and the process of evolution continued.

With a few notable exceptions the English monarchs from William the Conqueror to Queen Elizabeth (who died in 1603) were individuals of great ability and powerful will. The chief problem which confronted them was to maintain their royal authority against the perpetual opposition of the feudal baronage, and to do so despite the fact that the feudal baronage itself constituted the backbone of the king's own military resources. The stronger kings succeeded in preventing private warfare, and in retaining under their own control the military propensities of Englishmen. Also, the monarchs continued and strengthened the Anglo-Saxon county courts and established new courts in the boroughs; using these non-feudal institutions they bypassed the private jurisdiction of the baronage and founded the English judicial system upon the authority of their own royal judges, who travelled throughout the country offering a better and cheaper procedure than the nobility themselves could provide. The removal of judicial processes from the private jurisdiction of feudal lords to the national jurisdiction of the king was the most remarkable and popular of the early royal innovations.

Of all the early English governmental institutions, however, that of Parliament was the most notable. By normal feudal practice the higher nobility and clergy had both the right and the duty of assembling to assist and advise the king upon matters political and legal. During the thirteenth century the kings began occasionally to summon representatives from the citizenry of the counties and boroughs, primarily in order that these folk might be persuaded to grant money in taxes, but also

in order that they might hear such propaganda as the monarch might desire to offer them, and have opportunity to tell him their principal grievances. These representatives of the Commons of England formed the habit, more by accident than design, of meeting privately to deliberate upon what moneys they should grant and what complaints they should offer, and having deliberated they trooped before the king and the nobility, where their conclusions were presented by a Speaker. The same general form and ceremony is observed today at the opening and closing of Parliament.

By the middle of the fourteenth century the House of Commons had secured virtual control of the revenues of the kingdom; at least the monarch was henceforth unable to support more than the irreducible minimum of government without appealing to the Commons for grants of money. The Commons usually insisted that "redress of grievances" should precede "supply." Moreover any major national adventures soon came under scrutiny of the persons who had to pay for them, and the general outlines of policy were thus frequently discussed in Commons even though this development was considered by the king to be an outrage upon his prerogatives. The fact that the House of Commons gained control of the purse, and having gained control kept it, is the most important single fact in the constitutional history of England.

In consequence of these developments England emerged into modern times with a national government having well-established popular institutions. The remarkable line of medieval monarchs, with their successors the Tudors, had been strong enough to reduce the country to discipline and order, but had only been able to do so by fostering healthy local institutions such as the county courts and the justices of the peace, and by admitting the commonalty of England into a limited partnership in government through these and through Parliament. The Tudors finally crushed the last revolts of the medieval baronage, and at this point in English history there was some indication that with the old nobility removed from the scene (the class which nearly four hundred years before had extracted Magna Carta from a reluctant king) no force remaining would be strong enough to counter the royal power. The day of absolute monarchs was dawning in Europe, and it remained to be seen whether England would follow the fashion.

By the end of the seventeenth century this question had been answered. The Stuarts attempted to establish absolutism; they could get nowhere without money, and when they demanded money of the Commons it was refused. The dispute led to civil war, and to the execution of King Charles I in 1649. For a time the Parliamentary party established a military dictatorship under Oliver Cromwell, but this proved almost as disagreeable as the royal absolutism; King Charles II was therefore restored. Eventually, in the "Glorious Revolution" of 1688, Parliament deposed another Stuart and placed on the throne the Dutch Prince William of Orange, whose wife was a Stuart and thus could claim some pretense of legitimate right. Nevertheless the Glorious Revolution fairly established the principle that the king himself held his office by virtue of an act of the legislature. In the eighteenth century the throne passed to the Hanoverian family, which had little pretense of title save Parliamentary sanction. The supremacy of Parliament was now virtually beyond question; even George III, in his brief attempt at personal rule, tried rather to manage than to crush the House of Commons.

Having established its supremacy Parliament was no longer content with merely granting or withholding taxes and expressing a timid opinion on public affairs, but assumed also the responsibility of supervising administration and policy. The machinery by which to do this was developed in the course of the eighteenth and nineteenth centuries by a long process of trial-and-error leading to the modern Cabinet and the modern party system.

The Cabinet grew out of the small body of King's ministers who actually attended to the business of government. Though these ministers were (and still remain) theoretically responsible to the King and chosen by him, it was necessary to make them in fact answerable to Parliament. Frequently in the eighteenth century, and regularly in the nineteenth,

a Cabinet would resign when Parliament lost confidence in it, because under such circumstances it became difficult to carry on government. The principle was also established in the eighteenth century that each Cabinet should be headed by a Prime Minister with accepted leadership and preeminent responsibility. The further principles of Cabinet solidarity and collective responsibility, gradually worked out, meant that any policy decided upon was a Cabinet policy; if a minister dissented he might resign but he must not publicly oppose without resigning; if a policy was defeated in Parliament the whole Cabinet, and not merely the minister concerned, would resign. This system was long in developing and was by no means clear even at the end of the eighteenth century.

Modern parties in the Parliament trace their history from the seventeenth century. One thing above all was necessary to give them legitimate standing in the political process; this was that a party should be able to oppose the government without seeming to oppose the throne and the order of society—in short that opposition should not imply revolution. This point, so obvious today in democratic societies, was not established without difficulty, but in the eighteenth century "His Majesty's Loyal Opposition" came into existence, and is now accepted as a *sine qua non* of democracy. The history of parties is nearly as complicated as the history of the Cabinet, and it emerges into order and regularity at about the same time: the middle of the nineteenth century. This was the high point of the parliamentary system; its traditions continue to the present day, and sometimes becloud the fact that the system has somewhat changed since that golden era.

Besides developing in the Cabinet a machine for carrying on government it was necessary that Parliament itself should become more democratic if it were to keep up with the times. A few descendants of ancient nobility, together with far more numerous modern creations, made up the House of Lords, in which they held seats by hereditary right. But the House of Commons also had never pretended to be democratic; it contained representatives of the aristocracy and the wealthy who were not blessed with titles of nobility. Agitation to extend the franchise began in the early nineteenth century; after a memorable political struggle the first Reform Bill was passed in 1832, about doubling the number of voters. Two more acts continued the process in 1867 and 1884, and in 1918 the suffrage was made universal for men, and for women over thirty; women under thirty were given the vote in 1928. Early in the twentieth century members of the House of Commons were first paid for their services, so that politics, which had been an avocation of the wealthy, was opened to a wider field of candidates.

Meanwhile the legislative power of the House of Lords had restricted and embarrassed the programs of the House of Commons, especially when a Liberal Cabinet was in office. A series of controversies between the two houses led to a climax in the years 1909-1911, when the Lords were deprived of much of their power. They could thereafter do no more than delay for two years the passage of a bill not a money bill; they could not alter or delay beyond thirty days a measure involving money. The present Parliament (1949) is carrying this restriction further, and the Commons is passing an act which will permit the Lords to delay bills no longer than approximately one year.

Characteristically, the British in their long evolution of political institutions have seldom completely discarded any office or observance. They have thus preserved in outward show, and to a great degree in public consciousness, the connection between their present system and that of England in the Middle Ages. Despite its obvious anachronisms, the House of Lords is not abolished. The monarchy itself, in medieval times the active instrument of unity and discipline, has now become the symbol of the same things, not only in Britain itself but in the entire Empire and Commonwealth. The British consider that their habitual mingling of past and present in governmental institutions makes for stability and for public spirit, and tends to knit the community together despite all the strains of innovation which new circumstances produce.

3. The Structure of the Government.

The British have no written constitution in the US sense. Many laws regulate various aspects of the structure or operations of government; for example, there are laws specifying the order of succession to the throne, the frequency with which elections to a new Parliament must be held, the persons who may vote in such elections, the number and nature of courts of justice, the legislative powers of the House of Lords, and many other matters. There is an act guaranteeing the usual civil liberties to the population, a Habeas Corpus Act, and a law specifying the form of worship to be used in the Established Church. All or any of these laws, however, may be altered or repealed at any time by Parliament, with no greater formality than that required for the most insignificant piece of legislation. The constitutional authority of Parliament is supreme. Moreover even the laws prescribe only a part of the structure of government and regulate only a portion of its operations. The Cabinet, for example, perhaps the most characteristic and indispensable political institution, is virtually unknown to law; its functions are ruled by custom, and by the "conventions of the constitution."

Furthermore, the British Government in theory is still the King's government. The monarch opens Parliament with a speech which announces a legislative program; his assent is required to convert bills passed by Parliament into laws; he appoints and dismisses ministers; he commands the armed forces of the nation; he declares war and makes peace. In form the British Government is little changed from the time when the king was a working executive, a real power and influence in the day-to-day administration of the realm. It is known, of course, that the reality of the present day is something quite different. More than two centuries ago the personal authority of the monarch began to pass to his ministers, and the king's position in the government gradually was institutionalized in the Crown. He still nominally exercises the prerogative and statutory powers of the Crown, but the real control rests with ministers responsible to Parliament. Through the fiction of advising his majesty, they take the decisions and give the orders which emanate from the Crown. So complete has this transference been that it would be regarded as "unconstitutional" for the king to attempt to reassert some power, such as that of veto.

Many of the Crown's actions are announced as Orders-in-Council, the Council being the once powerful body of royal advisers known as the Privy Council. Today it is a body of about 330 ministers, ex-ministers, ambassadors, bishops, and others prominent in official and public life who collectively have no significant duties. All its legal acts result from political decisions of the Council's currently effective members, the Cabinet. The King and a few ministers—three are a quorum—meet periodically and perform the formalities which give legal effect to the most important executive and administrative actions of the British Government.

While the King's role in the modern conception of the Crown is largely formal and nominal, he should not be dismissed as only a figurehead. In the words of Winston Churchill, "Under the British Constitutional system the Sovereign has a right to be made acquainted with everything for which his Ministers are responsible, and has an unlimited right of giving counsel to his government." By advice, by admonition, and by encouragement a sagacious monarch may exert considerable influence within the privacy of the council chamber.

The supremacy of Parliament in Britain is maintained, despite the powers of the King and his ministers, partly because Parliament keeps control of the purse, just as it has for centuries. There is nothing in law to prevent the Crown from declaring war and sending forth the army, navy, and air force to fight in total disregard of the wishes of Parliament; but the forces would still depend for their supply on the votes of the House of Commons. Likewise, there is no law to compel a Cabinet to resign if the House fails to support it, but normal government under such conditions would soon become impossible. Thus unless "constitutional" procedures are duly observed, unless Parliament is at least sufficiently informed and consulted so as to assure that it favors a Cabinet's policy, resort to force or

revolution becomes inevitable. The British prefer the evolutionary processes of democratic government, and so habituated are they by centuries of experience to the working of such government that their "unwritten" constitution is respected almost as a part of the order of nature. In the nice adjustment of functions and powers to customs, conventions, habits, and the character of the people, the British system of government is unparalleled in the world, and its imitation by other countries has in most cases proved impossible.

a. The House of Commons.

The House of Commons now has 640 members; effective when the next general election is held, in 1950 or sooner, the number of seats will be 625. By law there must be a general election at least every five years; Parliament may be dissolved at any time, however, by the King, who does so upon the advice of the Prime Minister. An election is generally held, therefore, at the moment considered by the Prime Minister most advantageous for his party, or (nowadays rarely) at such time as an adverse vote in Commons has defeated the ministry and forced it to choose between resignation and dissolution.

The present House was elected in July 1945; since that time there have been 51 by-elections to fill vacancies resulting from resignations and deaths. It is now composed of 389 Laborites, 193 Conservatives, 11 Liberals, 2 Communists, and 45 other members. Of the last number some are Ulster Unionists from Northern Ireland, others are National Liberals, who have not returned to the orthodox Liberal fold since they deserted it to join the Nationalist coalition in 1931, and fifteen are Independents, owing allegiance to no party. Five members are known as Independent Laborites; they have been excluded from the Labor Party for excessive leftward deviation.

Although it is at present beyond question that the House of Commons is the ultimate legislative authority, nevertheless laws are almost never originated in the House; they are proposed by the Cabinet and presented to the legislators for debate and approval, often after minor amendments. Policies are formulated by the Prime Minister and his Cabinet colleagues and announced to the House, sometimes to become the subject of a debate and a vote, sometimes merely that the House and the country may be informed. Since in the normal course of events the Prime Minister and Cabinet have a safe majority in Commons, their announcements and proposals are virtually always carried through. It is thus the Cabinet, and not the House of Commons, which governs the country.

The real function of the House of Commons in modern times is to serve as a forum where the actions and policies of the government are closely examined, attacked by the Opposition, defended and explained by the majority party, and exposed to public scrutiny. It is the function of the government to govern; to do this it must retain the support of its Parliamentary majority, which may require an occasional adjustment of policy after effective criticism in Commons, or a housecleaning in some department of administration where shortcomings have been dragged into the light of day. It also requires the occasional application of strict party discipline to ensure that the government's supporters do not waver, or at least do not desert the cause without realizing that they may in consequence have to undergo the risk and expense of a new election. It is the function of the Opposition to oppose, to endeavor to turn the opinion of the country away from the party in power and towards itself; to undermine the solidity of the government's majority in the House of Commons; to provide effective criticism; to expose every weakness and shortcoming of the administration, and to be ready at any moment to go into office and conduct a government itself.

Debates are held upon the passage of bills submitted by the government, and also upon questions of public policy; if for instance the conduct of foreign affairs has reached a critical stage the government may announce a debate on the subject, or the Opposition may request such a debate, and the government, which controls the allotment of time in the House, will set a day. Apart from these full dress occasions, moreover, matters of general import are frequently discussed during debates on routine motions for adjournment. Finally, each day an hour is set aside during which Ministers

must answer questions addressed to the government by members of the House. Previous notice of such questions has to be given, and the appropriate minister thus has opportunity to prepare his answer, but supplementary inquiries may be made orally in the House, and may cause great embarrassment to any department of government which has laid itself open to criticism. The question hour was perhaps intended primarily as an inquisition on the details of administration, but it very frequently covers problems of public policy and even of foreign affairs; through a few skillful questions addressed to a single department, the position of the whole government may be weakened.

The dramatic manner in which the supreme political leaders of Britain directly confront each other day by day in the House of Commons gives the proceedings much popular interest. Reports of its debates and of the questions and answers are published in the better newspapers and followed by the public much more generally than the proceedings of Congress are followed in the United States. The interaction of opinion between general public, House of Commons, and government is powerful and continuous, making the British in a political sense perhaps the most democratic of all modern governments.

b. The House of Lords.

The House of Lords is the modern remnant of the medieval Great Council, to which the kings summoned their barons and higher clergy, and to which the House of Commons was at first an insignificant adjunct. It has nowadays about 800 members, including about 675 hereditary peers of England and the United Kingdom, 26 Bishops of the Established Church, 16 peers elected to represent the Scottish peerage, and 7 to represent that of Ireland. In addition there are nine non-hereditary Lords of Appeal in Ordinary who are appointed to their position for their legal knowledge, and whose function is to act for the House in its ancient capacity as the highest Court of Appeal of the land. Quorum in the House of Lords is but three, and rarely are there as many as a hundred peers present at sittings.

Membership in the peerage is either inherited according to the principles of primogeniture or acquired; in the latter case it is received as a patent of nobility from the king, granted on the advice of his ministers to acknowledge some distinguished service rendered to the state, or some exceptional talents or money employed for the public good; on occasions titles of nobility have been the reward for large sums of money donated to the war chest of the ruling political party.

The House of Lords now has little power. It is admitted to be an anachronistic institution, and demands are frequently voiced for its reform or its abolition. Among the various principles for constituting a second legislative chamber, that of hereditary holding of seats certainly does not now rank high in public estimate. However, if a second chamber were to be so constituted as to be able, effective, and representative, it would have to be given commensurate power, and this would not be at all to the liking of the House of Commons. Under present circumstances, the small number of peers who actively concern themselves with the business of their House include a high proportion of men of great ability and long experience; their contributions to debate upon bills are often of much value and yet their actual power, as against that of the House of Commons, is negligible and can be kept negligible without arousing any public protest of importance. Hence there is a considerable substratum of political reason to support the resistance of conservatism, vested interests, and sheer traditionalism against root-and-branch alteration of the House of Lords.

c. Government, Cabinet, and Ministry.

The British Cabinet at present consists of seventeen members, comprising the political heads of the great departments of state together with a few holders of ancient and honorific offices who are in reality Ministers without Portfolio. Besides the seventeen Cabinet members there are nineteen other high officials whose importance is not sufficient to include them in the Cabinet, but most of whom nevertheless are heads of important departments, are Ministers of State, and are said to belong to the "Ministry." The whole group of Cabinet and other Ministers is generally known

as the "Government." Members of the Cabinet are predominantly drawn from the House of Commons, but there are always a few from the Lords.

The "Government" is headed and its members are chosen by the Prime Minister, who is selected by the King but is always the leader of the majority party in the House of Commons.* The Prime Minister may dismiss Ministers, transfer them from one office to another, and reduce or enlarge the size of the Cabinet as he sees fit.

The Cabinet is responsible to the House of Commons, and if defeated in an important vote it must resign, or the Prime Minister must advise the King to dissolve Parliament and hold a general election. Since Members of Parliament are not anxious to risk their fortunes in an expensive and problematical general election, the Cabinet wields very great disciplinary powers by threatening its own followers with a dissolution; nowadays it is hardly to be expected that a government enjoying a sizeable majority will ever be defeated in the House. But the Cabinet must in prudence manage its majority so as to assure not merely an obedient block of votes at critical moments, but adequate loyal back-bench support throughout the debates and maneuverings by which the Opposition continually seeks to influence public opinion and undermine the long-term position of the Government.

The deliberations of the Cabinet are secret. Publicly its members must agree; they are collectively responsible for the acts and policies of government, and the only recourse of a dissenting member is resignation. Numerous Cabinet Committees deal wtih special fields and take some weight of business off the shoulders of the full Cabinet; since 1917 there has been a highly efficient Cabinet Secretariat, but in the great days of Gladstone and Disraeli no records were ever kept of proceedings, and no one except the Queen was ever informed of them.

Britain's present Labor Government is organized for functional purposes in a pyramidal fashion, which may in principle become a permanent feature of Cabinet Government. At the apex is the Prime Minister, Clement Attlee. Directly underneath him are three senior Ministers: Ernest Bevin, Foreign Secretary; Sir Stafford Cripps, Chancellor of the Exchequer; and Herbert Morrison, Lord President of the Council and Deputy Prime Minister. Directly under these three come a group of five Ministers with coordinating functions of an important but less major character: A. V. Alexander, Minister of Defense; Viscount Addison, Lord Privy Seal; Viscount Jowitt, Lord Chancellor; Chuter Ede, Home Secretary, and Hugh Dalton, Chancellor of the Duchy of Lancaster. Below this group are the eight senior departmental ministers who are also members of the Cabinet and who therefore have the right to take part in Cabinet discussions not merely on their own departmental affairs but on any aspect of policy: The Secretaries of State for the Colonies, for Commonwealth Relations and for Scotland, the Ministers of Labor, Health, Agriculture, and Education and the President of the Board of Trade. In this group two Ministers stand out somewhat from the others, Aneurin Bevan, Minister of Health, and George Isaacs, Minister of Labor: the latter, because manpower problems affect all departmental programs; the former, because his immense personal dynamism and ability have marked him as a Prime Ministerial possibility and because the left wing of the Labor Party looks to him for leadership.

Below the departmental Cabinet Ministers come twelve heads of departments who, although formally of Cabinet rank and paid the same salary as Cabinet Ministers, are not members of the Cabinet itself and only attend when specifically invited by the Prime Minister to deal with matters concerning their departments. Finally, forming the base of the pyramid are those, such as the two Ministers of State and the Paymaster-General, who are not heads of departments of their own, the Law Officers, and in a lower status,

* In 1915-1922, 1931-1935 and 1940-1945 Britain was ruled by coalition governments, and in 1924 and 1929-1931 the Labor Party conducted governments with the help of Liberal votes; the Prime Minister's party thus did not always have a majority in the House of Commons. Despite the frequency and length of these coalitions they are persistently considered to be abnormal; the two-party system, with one party enjoying a safe majority, is the typical form of British Government.

the Parliamentary Secretaries of the Departments.

This pyramid concentrates great power and planning responsibility in the hands of the Prime Minister and the three Ministers directly next to him. It is buttressed and supported by the series of functional policy-making committees, the most important of which the Prime Minister personally directs, and which form an integral part of the present pattern of government. He is the chairman of the Economic Policy Committee, of which the other principal members are the Chancellor of the Exchequer, the Foreign Secretary, the Lord President, and the Lord Privy Seal. This Committee decides the general policy to be followed nationally and internationally in finance, trade, and industry, determines the broad distribution of manpower and material resources and the correct balance between capital and consumption expenditure. The Prime Minister is also Chairman of the Defense Committee, which decides over-all British strategy and the size and deployment of British forces. He concerns himself similarly with the direction of broad policy in external affairs, and with a committee dealing with the development of atomic energy for both military and industrial purposes. The pattern thus provides machinery for the positive direction and supervision of all major aspects of policy by the Prime Minister to an extent that would be quite impossible under the old Cabinet system, in view of the present volume of government business.

The three senior Ministers immediately next to the Prime Minister, Bevin, Cripps, and Morrison, have broader responsibilities along with those of their ministries. Each is in control of the coordination of policy in one particular sector of affairs. Bevin in addition to his direct responsibilities as Foreign Secretary maintains a general oversight over the whole field of overseas policy including Commonwealth and colonial affairs. Cripps is responsible for the direction of both financial and economic policy—an immense field—and is chairman of the executive arm of the Prime Minister's Economic Policy Committee. This is a committee of all the Ministers in charge of production departments: the President of the Board of Trade, and the Ministers of Supply, Fuel and Power, Agriculture, Transport, and Works, together with the Minister of Labour because of his concern in the whole question of manpower, and the Minister of Health, because the Ministry of Health is responsible for housing. He is also Chairman of the Joint Planning Board, which has to consider the practical industrial application of economic policy and on which ministers, industrialists, and trades unionists sit. Herbert Morrison is responsible for the coordination of social services and of general domestic policy in the non-economic field, including the government information services. Moreover he has the responsibility for supervising the whole of the legislative program and for securing a correct balance between reconstruction and reform measures.

Somewhat comparable functions in the field of defense are exercised by A. V. Alexander, but he is ranked beneath Bevin, Cripps, and Morrison in the pyramid, both because his personal authority is not so great as theirs and because the Defense Committee over which the Prime Minister presides (and of which the Minister of Defense and the Chiefs of Staff are members) deals with defense policy in considerable detail. What is left to the Minister of Defense is therefore primarily the task of executive coordination, which is carried out through a committee of the three Service Ministers and their advisors, of which he is chairman.

The administrative functions of government, so vastly increased during recent years, are directly under supervision of the Cabinet, whose principal members themselves head the greatest departments and are answerable at question time in the House of Commons for any shortcomings. However able may be the politician selected to head a great department, he is probably not acquainted with its detailed working, and is therefore greatly dependent upon his permanent staff of civil servants. The British Civil Service since its reform in the middle of the nineteenth century has attained an unrivalled reputation for incorruptibility and competence. It is entirely non-political. Administratively the civil service is under the direction of the Treasury; it has an

elaborate system of examinations and gradations, and recent reforms have tended toward widening the field from which successful candidates for the higher posts may come; the importance of a sound classical education has been somewhat lessened, and the dominance of the older universities reduced. Nevertheless the extremely potent influences of the permanent staff at an important ministry, and its tendency to be rather conservative in outlook, have generally prevailed over the innovating zeal of all but the most forceful new ministers. On the other hand, the weapon of public and parliamentary criticism and the power of even a weak minister to veto the policies of permanent officials rule out government by bureaucracy.

The bureaucracy now contains nearly 2,200 high-ranking civil servants, whose abilities have carried them to the top of the service. They are mostly the "assistant secretaries," who head departmental subdivisions; "principal assistant secretaries," who head divisions of ministries; "second secretaries and deputy under-secretaries" who assist the permanent secretaries in the large ministries; and "permanent secretaries" or in some cases "permanent Under Secretaries," who are the departmental chiefs. Those who attain the position of permanent secretary or under-secretary are almost always knighted. As permanent heads of departments their work includes: control of day-to-day departmental policy; advice to ministers on longer-range policies; drafting of bills to be introduced in Parliament; supplying ministers with facts and arguments for use in Parliamentary debate; composing in the name of ministers subordinate orders and regulations having the force of law; and, at times, making decisions in the name of ministers on which there is no further appeal.

In connection with the vast expansion of the civil service resulting from wartime needs and the present government's policies, there are indications that its quality has diminished somewhat, particularly in the low grades. The government is currently concerned to correct this situation. Nevertheless, the civil service is generally regarded as the world's most capable, and remains the envy of and model for numerous other countries.

d. The Judiciary.

England is the home of one of the two great legal systems of the Western world. The English common law, which has its roots far back in medieval history, is known as judge-made law for the reason that its basic principles are to be found in the decisions of courts which for centuries have been expounding and adapting the lines of old precedents to current situations. Originating in the customs of rude communities of Saxon England and being declared by many local councils or courts, the law was greatly aided in becoming "common" by the introduction during the Norman period of itinerant judges journeying forth from the seat of royal authority.

In the course of time the common law came to be stereotyped into a number of forms of action which often robbed a litigant of substantial justice. Sometimes such a litigant would appeal to the king, the fountain of justice. These appeals were heard by the most learned member of the king's court, the chancellor, who was usually a cleric and acquainted with Roman law from his ecclesiastical training. From these cases there gradually developed a competing system of law known as chancery or equity. Eventually the chancery courts were limited to specific fields of jurisprudence beyond which the common law reigned supreme.

Besides the common law and chancery there is a third chief source for the law which English courts administer today. This source is Parliament. Statutes frequently declare new law or revise old legal principles. Being the most recent declaration of the sovereign they take precedence over any previous interpretations of the law. It should be observed that in its legislation Parliament always assumes the existence of the great fabric of common law, and the judicial precedents of the past are controlling until specifically repealed or replaced.

While the English common law is now growing and developing under many different sovereignties, one principle is basic in its operation at home and abroad. That principle is the rule of law. It means, first, that no one is above the law, and every person, high or low, official or private citizen, is amenable to the

same courts of justice, and secondly, that no person may be deprived of life, liberty, or property except in consequence of an infraction of the law proved in open court.

Broadly speaking, the law in England and Wales is administered at three levels: (a) by Justices of the Peace and Stipendiary Magistrates in Courts of Summary Jurisdiction and Quarter Sessions; (b) by the County Court Judges in the County Courts; (c) by the Judges, Lords Justices and Lords of Appeal in the Supreme Court of Judicature, the House of Lords, and the Judicial Committee of the Privy Council.

Every county, county borough, or large town has its own commission of the peace in which a number of leading citizens are named as Justices of the Peace, appointed by the Lord Chancellor. Two or more of these unpaid lay justices sit in petty sessions, to punish minor offenses and to make preliminary examination of more serious crimes to see whether the evidence warrants the commitment of the accused for trial elsewhere. Four times a year all active magistrates sit in the Court of Quarter Sessions, and deal with somewhat graver offenses than do petty sessions. Jury trial is here used, but murder and serious crimes involving the heavier punishments may not be tried.

In London and the larger cities expert magistrates are appointed by the Crown on the Home Secretary's recommendation. They must be legally qualified, must devote their whole time to the job, and are paid for their services.

The second level of courts is the county courts, which are the creations of Parliament and are not to be confused with the ancient county court of medieval English history. The modern courts of this designation possess civil jurisdiction only, and this is limited to money value not exceeding £100, debts and damages not exceeding £200, and trust property, etc., not exceeding £500. There are 459 County Courts, presided over by 58 judges, who are appointed by the Lord Chancellor from barristers of at least seven years' standing.

The High Court of Justice and the Court of Appeal, which together comprise the Supreme Court of Judicature, were created by the Judicature Act of 1873, which came into effect in 1875. By this Act the entire structure of the British Courts of law was fundamentally reformed and modernized. The High Court consists of three main divisions: (1) King's Bench Division (presided over by the Lord Chief Justice); (2) the Chancery Division; and (3) the Probate, Divorce, and Admiralty Division. The King's Bench judges try the gravest crimes, regularly in London, and periodically at the Assizes in various towns to which they go on circuit. Above the High Court of Justice and the Courts of Assize, but still staffed by the judges of the Supreme Court of Judicature, are two appeal courts: the Court of Appeal for civil cases and the Court of Criminal Appeal for criminal cases. In a relatively small number of cases, appeals are taken even higher, to the House of Lords. The latter body concerns itself exclusively with questions of law, not of fact, and cases may be appealed to it only if the Attorney-General (or in his absence the Solicitor-General) gives his certificate or "fiat" that a point of law of exceptional public importance is involved.

There is one other appeal court, the Judicial Committee of the Privy Council which, strictly speaking, does not belong in the English judicial hierarchy because it reviews cases appealed from courts in various parts of the British Empire outside Great Britain itself. All the Dominions except New Zealand have restricted the right of appeal to the Judicial Committee, but it still serves as the final court of appeal for British territories which have not acquired full rights of self-government.

The legal profession is divided into three groups: solicitors, barristers, and judges. Solicitors are lawyers who advise clients on legal problems and prepare legal papers. Barristers argue cases in court. A select group of lawyers, the barristers are all members of one of the four ancient legal associations known as the inns of court. The judges are appointed by the Crown for life from the ranks of the barristers.

The administration of justice in England has a well-deserved reputation for fairness and impartiality. Some of the factors contributing to the attainment of this reputation ap-

pear to be the high prestige of the legal profession, the non-political appointment and life tenure of judges, judge-made rules of court procedure, and the prompt hearing of cases, particularly criminal cases, in courts of first instance and appellate courts. The judicial system is subject to criticism on the grounds of expense for poor litigants and the inadequacies of the lay J. P.'s.

The above discussion is applicable only to England and Wales. Scotland has its own legal system and judicial administration, both of which were strongly influenced by the Roman jurisprudence of the Continent. The law and courts in Northern Ireland are related both to those of England and Scotland, although the influence of the former appears greater.

e. Local Government.

There is no constitutional division of powers between national and local government. Parliament defines by statute both the organization and the powers of local authorities, and the courts are often called upon to rule whether or not a particular act is justified by the terms of the grant of power; the fear of being *ultra vires*, that is, outside the bounds of legally granted authority, haunts most local administrators.

In England and Wales local government is everywhere carried on by one form of political machinery: a board or council of members having charge of specific branches of administration over a definite area. Except in the larger cities this governing body is unpaid, and is composed of elected citizens who appoint, supervise and direct a staff of salaried professional officers (the "municipal civil service") by whom the actual functions of government are performed. There are seven types of local councils in England and Wales:

62 County Councils
83 County Borough Councils
309 Borough Councils
28 Metropolitan Borough Councils and one City of London Corporation
572 Urban District Councils
475 Rural District Councils and about 7,000 Parish Councils.

In the larger towns and cities outside London, local government is in the hands of a single authority, the County Borough Council. In smaller towns the work is divided between the County Council, which looks after education, local health services, police, and a few other county-wide affairs, and the Borough or Urban District Council, which is responsible for the remainder. In rural areas the work is divided between the County Council, the Rural District Councils, and the Councils (or Meetings) of Parishes.

London is unique among English cities in its complicated system of government. A considerable area of Greater London constitutes a county, of which the governing authority is the famous London County Council, which because of its vast responsibilities is second only to Parliament in importance. It consists of 124 Councillors, elected every three years, with 20 co-opted aldermen who retain their seats for six years.* The Council has jurisdiction over some 117 square miles, populated by 3,131,600 people. Its annual receipts and expenditures exceed £45 million. Among its manifold responsibilities are education, social welfare, public health, housing, town planning, parks and open spaces, licensing of motor cars, and public entertainments.

Functioning alongside the LCC are twenty-eight Metropolitan Borough Councils and the ancient Corporation of the City of London. The borough councils independently administer such matters as libraries, markets, street lighting and paving, local sanitation, and the collection of municipal taxes; in short the more localized and detailed aspects of government. Other important services are administered independently of either the LCC or the boroughs; these include harbor transport, water, domestic lighting (with some excep-

* The present distribution of seats is: among the Councillors, 64 Labor, 64 Conservative, 1 Liberal; among the Aldermen: 16 Labor and 5 Conservative. The elections of 7 April 1949, which resulted in this distribution of Councillors, registered a noteworthy swing towards Conservatism. For long the LCC was predominantly Laborite in complexion, even during days when the national government was Conservative. Next to the Trades Unions it formed the principal training-ground for Labor Ministers; Herbert Morrison is its most outstanding product.

tions), and fire and police service. The water supply for the whole metropolitan area, extending far beyond the county area, is in the hands of the Metropolitan Water Board. The port and river are in the hands of the Port of London Authority.

For the most part local government is financed by property taxes called rates. These are insufficient in many places, and provisions have long been in effect for grants-in-aid from the national treasury to raise the standard of services in poorer communities; the present Labor Government has been particularly concerned in this regard. Upon applying for grants-in-aid from the Treasury a local authority must agree to comply with such conditions as may be attached to the grant by the Treasury, Home Office, or Ministry of Education, Agriculture, or Health. One of these conditions is a system of inspection whereby the central office makes sure that the specifications are met. In this respect an increasing centralization of authority is taking place, which arouses some concern in the minds of those who consider that the free institutions of the kingdom have from time immemorial been understood to stem from the independence and health of local institutions.

There is general agreement that the structure of local government has failed to keep pace with the social changes of the past thirty years (the last thorough overhaul having been sixty-two years ago) and that a comprehensive reform is now overdue. The exact nature of such reform is the subject of controversy.

4. Principal Political Parties and Current Issues.

Since the seventeenth century the history of British politics has been typified in the contests between two, and usually not more than two, opposing parties; first, Cavaliers and Roundheads, then Whigs and Tories, later Liberals and Conservatives, and at the present time Laborites and Conservatives. The gulf between parties has never in modern times been so wide and deep as to make parliamentary government impossible. It is indispensable for the successful working of British democratic institutions that this should be so, and that one party always be able to succeed the other in office without involving a revolution.

Not until 1870 was the first national party organization set up, directed toward the goal of winning elections by getting out votes; this was done by the Liberals, and was denounced as a vulgar American intrusion upon the respectable course of British affairs. The Labor Party, which dates only from about 1900, has from its early days maintained a well-disciplined following. The Conservatives were in the late nineteenth century obliged to organize their members in order to counter the success of the Liberals in this regard, but it is probable that they have done nearly as much in the past two years to achieve discipline and solidarity in their ranks as they have done in this regard for the past two centuries.

Along with the essential self-interest and mere factionalism of parties during much of their history there has been a thread of continuity in the intellectual and social attitude of the two groups. The *Conservative Party* traces a tenuous ancestry from the Cavaliers, who were distinguished above all by their loyalty to the lost cause of the Stuarts; a personal loyalty which often paid little heed to the dictates of common sense. When toward the end of the seventeenth century this party came to be called Tory, it continued to be known for devotion to the cause of the Established Church and the monarchy; the latter required a painful shift of loyalty during the eighteenth century from the Stuart to the Hanoverian family. It was the Tory squirearchy which stood behind King George III in his quarrel with Parliament and with the American colonies, which supported the long and exhausting war against the French Revolution and Napoleon, which tried after 1815 to continue the old established order, and which finally, during the 1830's and 1840's, watched its world crash round about it. On the one hand came the first Reform Bill, which began the process of admitting the middle classes to a share in politics. On the other came the worst blow of all: the conversion of one wing of the Tories themselves, led by Sir Robert Peel and W. E. Gladstone, to a policy of giving up the ancient protective tariff on agricultural products and subordinating the interest of the

English farmer to that of the English manufacturer. The party was torn in shreds by this controversy; it was reconstructed by Benjamin Disraeli under the name Conservative, while Peel and Gladstone organized what in a decade or so became the Liberal Party.

Under the skillful hand of Disraeli the aristocratic virtues of Toryism were transmuted into something appropriate for the nineteenth century. Confronted with the appalling social conditions of the Industrial Revolution the Conservatives discovered a paternalistic regard for the more unfortunate sections of the British community, and the squirearchy to some degree allied itself with the downtrodden workers against the businessmen and manufacturers who dominated the scene. Thus the factory acts and other legislation seeking to shorten hours of labor and improve the condition of workers were in large part written by the Conservatives and forced through by them against bitter opposition. To help his followers swallow this domestic policy Disraeli diverted them with the glories of Empire, which he revived after a period in which the British had almost come to the point of voluntarily resigning their overseas possessions. He made Queen Victoria Empress of India, and presented all his countrymen with a glittering imperial display, which to some degree recompensed Conservatives for the loss of their old aristocratic supremacy.

In the twentieth century the Conservatives received into their ranks many wealthy businessmen from the declining Liberal Party, and did so the more easily because businessmen themselves had somewhat recovered from the initial intoxication of *laisser faire.* But the Conservatives retained, as they still retain today, a conviction that they had a peculiar right and duty of governing, that they did it more effectively than any other group, that they were intellectually and practically so superior to other classes that they could and would do what was best for the workingman, and do it better than he could for himself. Such claims would have been stronger but for the Conservative Governments' record between the wars, when Britain was in many respects outwardly prosperous and secure, but when its unemployed workers were maintained in vast numbers on a dole, and the economy was so adjusted as to admit little possibility of their ever again taking a productive place in the system. Even in the realm of foreign policy, where the Conservatives considered themselves uniquely competent, their record of appeasement after 1935 looked bad in the light of its consequences.

The *Liberal Party,* like the Conservative, traces its spiritual history in a long and dubious pedigree from the seventeenth century to the present day. The Liberals count their descent from the Roundheads, who rebelled against the Stuart kings and despised the idea of absolutism. When this faction became a party it was called Whig, and it soon came to include the greatest and wealthiest and most intelligent of the aristocrats, together with the merchants and city folk who rose to wealth in the days of the Old British Empire. Whigs opposed the policy of George III toward the Americans and were eventually responsible for ending the war with a generous peace. They opposed the struggle against the French Revolution; above all they opposed the reactionary policies of the old Tory Party in the campaign after 1815 to retain the old order. It was the Whigs who put through the first Reform Bill in 1832. Shortly afterwards they were so powerfully fertilized by the seceding Tories under Peel and Gladstone, and by the new interest-group of free-traders and industrialists, that they lost their old Whiggish character and took the new party name of Liberal. In the early nineteenth century the more radical doctrines were those of the free-traders and the apostles of *laisser faire:* these doctrines were espoused by the Liberal Party despite the appalling cost in human suffering which the Industrial Revolution exacted. The same party was responsible also for many admirable reforms; for widening the franchise, the introduction of voting by ballot, the extension of free public education, the disestablishing of the English Church in Ireland, and the complete reorganization of the judiciary, to name a few of the most conspicuous examples.

By adopting a policy of Home Rule for Ireland Gladstone split the Liberal Party in the 1880's and drove many of his followers into the Conservative camp. In the twentieth century

the Liberal championship of *laisser faire* declined, but that of free trade continued steadfast even while Britain met increasing competition from other rising industrial nations. This drove many British manufacturers into the Conservative Party. The last great age of the Liberal Party was in 1906-1914, when under H. H. Asquith, David Lloyd George, and Winston Churchill a series of reforms were put through, including the famous reform of the House of Lords, and the extensive beginnings of social insurance, which was paid for by a new program of taxation bearing heavily upon landowners.

The crises of the first World War, the rise of the Labor Party, and (as some said) the postwar mistakes of Lloyd George as Party leader, caused the Liberals to go into decline after 1918. When the wartime coalition was dissolved in 1922 the Conservatives formed the new government, for by that time they greatly outnumbered the Liberals under whose administration the war had begun. Never afterwards did the Liberals win a general election, though in 1923 and again in 1929 it was only with their support that Labor was able to take office. Since 1945 valiant attempts have been made by the Conservatives to persuade the Liberal Party to extinguish itself, in order that all those opposed to socialism might make common cause together. But the small and staunch remainder of Liberals refuse. They regard themselves as the guardians of individual liberty, not only against the inroads of socialism but also against the cartels, the trade associations, and the paternalism of the Conservatives. They insist on their mission as a mean between the extremes of the two major parties, but there is virtually no prospect of an early political comeback by the Liberal Party.

The *Labor Party* received that name in 1905; as an organization to elect members of Parliament it dates from 1900, when a number of groups joined to form the Labor Representation Committee, dedicated to the task of electing men to Parliament who represented the interests of the workers. The organizations forming this Committee were the Fabian Society, the Social Democratic Federation, the Trades Union Congress, and the Independent Labor Party, and the nature of these groups throws light upon the principles and the problems of the Labor Party itself. The Fabian Society was a group of intellectuals originally formed in 1883, and including some of the most famous people in modern British letters, such as G. B. Shaw, H. G. Wells, Sidney and Beatrice Webb, Graham Wallas, and Sidney Olivier. The Society became the principal policy-forming agency for the labor movement; its doctrine called for gradual evolution towards socialism. On the other hand the representatives of the Trades Union Congress, that is of the workers themselves, were not much interested in theoretical principles, were certainly not socialists, and tended to distrust intellectuals. The workers wanted to campaign for higher wages, shorter hours, and the usual other amenities. The intellectuals believed in socialism, a broad movement embracing within its scope all the problems and necessities of modern government. To unite the weight and numbers of the workers represented in the Trades Union Congress with the intelligence and perspective of the Fabian Society was a difficult task; the effort was on the whole successful but frictions occur even to the present day. In 1918 the decision was made: the Labor Party Conference adopted a manifesto *Labor and the New Social Order*, drafted mainly by Sidney Webb. This definitely committed the party to a program of evolutionary Socialism.

In one of its aspects British socialism is nearly as old as the British state. When William the Conqueror announced that military service was to be rendered only to him, and not in pursuit of private warfare, or when the twelfth century kings nationalized the administration of justice, they were in the early stages of a process of evolution which has produced the nationalized health service, and the transfer of the coal mines to state ownership. The early Stuarts failed in their attempt to set up a benevolent absolutism, but the mercantilists of the seventeenth and eighteenth centuries succeeded in establishing a policy of state interference in economic affairs for what was considered to be the national interest. The Conservative Party in the nineteenth century exhibited a paternal-

istic interest in the unhappy fate of industrial workers, and passed legislation to protect them. All these various groups and authorities had long familiarized the British with the idea of state participation in various sorts of human activity, and especially with state regulation of economic affairs.

The other and more important side of British Socialism, however, derives not from monarchs, aristocrats and humanitarians but from Roundheads, Whigs, reformers, and to a lesser degree from Karl Marx. This is that part of the doctrine which sternly rejects all traces of paternalism, and holds that progress must be not only towards economic prosperity for all, but also towards the freedom of the masses to control the material conditions on which their livelihood and well-being depend. The Labor Party rejects the Communist goals of violent revolution, total public ownership, and the dictatorship of the proletariat. It believes in private property up to the point at which the claims of private property conflict with those of public interest. It believes in planned production and in public ownership of industry where such public ownership appears necessary for the public good, although it has not yet marked out the border between public and private ownership. It believes in the lessening of class distinctions and differences in individual income by equalitarian social and financial reform measures, to the point where the democratic control of material conditions by the mass of the population can become reality. The Party thus draws upon both Socialist philosophy and democratic tradition.

The Labor Party sent 29 members to Parliament in 1906; in 1923 it elected 191 members and stood second to the Conservative Party. In January 1924, with the support of Liberal votes, it took office for a short-lived experiment as a government; after nine months it requested a dissolution and was defeated in the ensuing election. From 1929 to 1931 the Labor Party again formed the government, and again with less than a majority. This time it had to face the full weight of a financial crisis. In the late summer of 1931 part of the Cabinet refused to accept the necessity of cutting social welfare benefits and otherwise impeding the party program for the sake of financial solvency, but the Prime Minister, Ramsay Macdonald, and a few of his colleagues bowed to what they felt was inevitable. In a dramatic crisis the government resigned, and the King asked Macdonald to form a coalition with the Conservatives to save the country from ruin. Macdonald did so. His "surrender" to the forces of high finance, however, shook the Labor Party to its foundations, and engendered bitterness that has not even yet died away. It also led to an uneasy government, with the Conservative influence rapidly increasing and that of Labor gradually becoming non-existent, until in 1935 a new election was held and the Conservatives under Stanley Baldwin formed their own government.

The Labor Party, unlike the others, maintains a fairly strict political discipline over its members, and leaves only limited freedom to its parliamentary contingent. A Party Conference is held annually, attended by delegates from the Trade Unions, the Socialist and Cooperative Societies, the various constituency parties, and the county federations. This Conference is ostensibly the final policy-making body for the Party; unlike the Conservative Conference, its decisions are intended to direct the activities of the Parliamentary members. Needless to say the members of the Labor Government have a great deal of influence in forming the decisions of the Party Conference, but they cannot always control them. It still is argued by political opponents that a Labor Cabinet must feel itself obligated to translate into British Government policy even those edicts of the Labor Party Conference with which the Cabinet members themselves may be in some disagreement, or which may appear politically inadvisable when the moment comes for their implementation. The Labor leaders themselves, however, maintain in correctness that as a government they are responsible to the House of Commons, and not to the Labor Party Conference.

The Annual Conference elects a National Executive Committee which is, between conferences, the administrative authority of the Party. Of this Committee, twelve members

are chosen by the Trades Unions, one by the Cooperative and Socialist Societies, seven by constituency parties and federations, and five women are chosen by all the Conference delegates. In addition, the Parliamentary Party leader and Secretary belong to the Committee *ex officio*. The proportions of members on this Committee indicate the relative importance of the constituent parts of the Labor Party; especially they show the overwhelming importance of the trades unions, which naturally furnish the bulk of the votes and financial support by which Labor members are elected to Parliament. The chief political problem of Labor is to educate trades unionists in the requirements of national policy apart from those peculiar to their own interest group. In the past two years this education has made rapid progress.

By comparison with the "gradualism" of the Fabian Society's socialistic doctrine and its belief in constitutional procedures, the revolutionary and "scientific" socialism of Karl Marx has made little headway in Britain. It is true that one of the constituent groups of the original Labor Party was the Social Democratic Federation, which was a Marxist organization of a type that nowadays would be called Communist. It won few adherents, however, as British socialism took a different trend. The modern *Communist Party* was organized in 1921, and in 1945 returned two members to Parliament, polling an all-time high of 102,780 votes. In March 1948, it claimed a membership of 42,500, although it is believed that the number is actually smaller by several thousands. Communist influence on the country at large is negligible, though there is a well-run newspaper, and the usual devoted and hardworking core of members obedient to the political direction of the Kremlin. The Labor Party refused to receive Communists into a United Front; nevertheless the Communists in 1945 began by refraining from attacks upon the Labor Government. From this they have gradually passed to open hostility, particularly since the government commenced its active cooperation in the European Recovery Program. The Communists now call for obstruction to the furtherance of ERP in every practicable way and they attempt to undermine the Labor Party's drive for higher productivity and fiscal stability. Though Communists have gained office and influence in a few important trade unions, their success as obstructionists has not been appreciable, and is not expected to grow. The Labor Party has in fact opened a counterattack, and is persuading trade unionists to relieve Communists of whatever significant position in the movement they may hold. Ministers are not worried about the capabilities of Communists or fellow-travellers in the civil services, but quiet investigations have been made, and a very few individuals transferred from positions where they might constitute a security risk.

In July 1945 was held the first general election since the Conservative victory in 1935. As the immediate result of the shock of the Norwegian fiasco, Neville Chamberlain had in May 1940 been succeeded as Prime Minister by Winston Churchill, who formed a Cabinet including representatives of the Labor and Liberal Parties. The remainder of the European war was waged by this coalition government, though Mr. Churchill dominated to a degree scarcely known in any previous Prime Minister. In the spring of 1945 the Labor Party grew increasingly restive in such close association with Conservatives, and soon after VE-Day they left the Cabinet, Churchill forming a "caretaker" government and announcing that a general election would be held in July. The election resulted in a resounding defeat for the Conservatives. Out of some 25 million votes cast, the Conservatives (including the Nationals and Liberal Nationals) received 9,568,355, the Liberals 2,239,688, and Labor (including the Independent Labor and Commonwealth Parties) 12,149,605. For the first time Labor took office with a clear and imposing majority of 397 Parliamentary seats out of 640, independent of support from any but its own members. Nearly one-third of its Parliamentarians were members of trade unions.

Such an outcome was rather unexpected. There had of course been no general election for ten years, for Parliament had prolonged its life during the war; furthermore, wartime by-elections held to fill vacant seats were by

agreement between the parties uncontested; a new member was chosen from the same party which had previously held the seat. Hence the ordinary indications of political climate had not been easily observable, and in the abnormal conditions of the war forecasting was difficult. Yet when the result became known it was explained without difficulty and without much disagreement, and it was interpreted more as a vote against the Conservatives than as a vote for Labor. The vote, however, reflected the very widespread desire for greater personal security and improved social conditions, and the fear of a return to a prewar type of private-enterprise society involving chronic unemployment and social injustice. The political record of the Conservative governments between the wars, both in its domestic and foreign aspects, became intolerable to many voters when they had lived through its consequences. Churchill's enormous popularity and prestige had been expected to outweigh the well-known disaffection for his party, but the English people had watched Churchill for forty years. Much as they admired him for his conduct of the war, and truly grateful as they were to him for his leadership, many of them persistently distrusted him as a normal peacetime political leader.

The most significant aspect of the election, however, was that the relatively small number of popular votes by which the Labor Party won its margin was agreed to have been cast by "unorganized" persons of the middle class: professional men, teachers, "black-coated" workers, and in general by people who for the most part were neither convinced Socialists nor members of trade unions with a proprietary interest in the Labor Party. This "floating" vote appears to have been constituted from some of the most stable and intelligent elements of British society, and its probable behavior in the next general election, after four or five years of Laborite rule, is the most interesting speculation in domestic British politics. The number of convinced and unchangeable Labor and Conservative (plus Liberal) voters is generally agreed to be about equal, and therefore the coming election will again be decided by this intelligent middle group of voters, who will make their decision according to individual conviction and not as members of factions or blocs whose leaders may have been won over by political promises.

5. Other Politically Influential Groups.

a. The Trades Union Congress.

The Trades Union Congress (TUC), founded in 1868, is a voluntary association of trade unions which is empowered to act as the coordinator in furthering labor unity. The first Assembly was attended by thirty-four delegates representing fewer than 120,000 members belonging to trade councils, federations of trades and trade societies generally. Today total trade union membership numbers about 9 million, of whom nearly 8½ million are in the 190 unions affiliated to the TUC. Personnel of the TUC, which meets annually, are delegates of affiliated trade unions and must be either working at their trade or holding full-time office in their trade union organization. The size and voting power of each delegation is proportionate to the membership of the union it represents. There is one delegate for every 5,000 members and one vote for every 1,000 members. Since the TUC is a deliberative body, it has no executive functions and very little power to commit affiliated unions to any action. Its resolutions are not binding upon the unions, which are completely autonomous. However, its deliberations and resolutions have great importance and influence. They form the basis on which the TUC General Council, an executive and coordinating body elected annually by the Congress, is able to frame a unified policy for the whole trade union movement. The General Council consists of thirty-three members. Its General Secretary is himself an elected officer and is responsible to the Congress for the efficiency of the headquarters organization. The General Council sets up a number of standing committees at the beginning of each Congress year including one that exercises fact-finding and judicial powers in dealing with disputes between unions; others are concerned with economic research problems, international affairs, and public welfare. Representatives of the General Council also sit on several National Advisory Councils along with represent-

atives of the industries or occupations concerned.

The unions have been the strongest single force in the growth of the Labor Party. The TUC speaks for organized labor, which provides the bulk of the finance and represents about five-sixths of the voting membership of the Labor Party. The General Council is continuously consulted regarding all legislative measures and important policies proposed by the Labor Government and its recommendations have an important influence on the positions taken by the government. It cannot be said that either the Labor Party or the TUC exerts dominant control over the other. One indication of this from the TUC point of view is the decline of trade union members among the Labor members of Parliament from 86 percent in 1918 to 30 percent in 1945. Most Government and Labor Party action is the result of agreement or compromise between the TUC General Council and Labor Party leaders.

The British trade union movement is essentially moderate, conservative, nationalistic, and relatively mature in outlook. There is a considerable element within the TUC, particularly its officers, which realizes that if the trade union movement is to retain its present powerful political position in the United Kingdom, if the Labor Party is to continue to hold the confidence of the country, and if the TUC is to remain a leader of the international labor movement, it must wean the labor rank-and-file away from their traditional preoccupation with the employer-employee struggle and promote a sense of responsibility for the national good. The leaders have been acting to this end for some time now, with moderately encouraging results.

Traditionally tolerant of Communists and impressed by a romantic picture of the Russian revolution, and more recently imbued with a sense of comradeship flowing from the common cause in World War II, the trade union movement has only become anti-Soviet and anti-Communist during the past year or two. This attitude has resulted from three influences: a realization of the expansionist and totalitarian nature of Soviet Communism; the increasingly transparent goal of British Communists to undermine the Labor Government and ultimately the United Kingdom; and the educational campaign of the union leaders and the Labor Party to convince the rank-and-file of the facts about Communism and the USSR. Communists in the labor movement have never had great influence over organized labor but they have had a persistent nuisance value. This limited capability has steadily declined over the past two years. TUC pressure on unions to eliminate Communist officers has been moderately successful and is expected to continue so. Although Communists still hold on to leading positions in several unions, they are effectively restrained by the fear of repudiation from using their influence for political ends and they must act with great caution even on economic issues.

The TUC was the moving force in the establishment after World War II of the World Federation of Trade Unions. Having recently withdrawn from that body after failing to prevent its exploitation by the USSR for political ends, the TUC is expected to be a moving force, together with US labor, in the organization of a new non-Communist international labor organization. The TUC is also the major influence in the OEEC's Trade Union Advisory Committee, and has long been regarded as a leader by non-Communist national labor organizations in Europe.

b. The Co-operative Union.

The Co-operative Union, established in 1844, is an association of societies in the co-operative movement. The Union, whose current membership numbers about nine million, is entirely voluntary and has no legal compulsions, financial obligations, or supervisory control. Individual co-operative societies enjoy complete autonomy. The function of the Union is to promote, defend, and extend cooperation as a national service. Its Central Board, elected through constituent societies, guides the policy of the movement—not only its trading and economic policy, but also its social, educational, and political outlook—subject always to the Co-operative Congress, the annual delegate gathering. It has its own Parliamentary committee and secures direct representation in Parliament through one of

its auxiliary organizations, the Co-operative Party, and coordinates its election activities with the Labor Party. The Union would expect to be represented in any Labor Government, and is in the present Cabinet by A. V. Alexander, Minister of Defense.

The Labor Party, the Trades Union Congress and the Co-operative Union are the constituent parts of the *National Council of Labor*. It was established in 1921 to consider generally all questions affecting the labor and co-operative movements as a whole and to promote joint action, whether by legislation or otherwise, on all questions affecting the workers as producers, consumers, and citizens. Each of the three bodies is represented on the National Council by its chairman and six other members and the secretaries of the three act as Joint Secretaries of the Council. Contact between the Council and the Labor Government is maintained through a Liaison Committee, established in 1945, consisting of the Chairman and Secretaries of the three organizations, together with two members of the government, one of whom is the Chief Whip.

6. The Present Political Situation.

The ultimate purpose of the Labor Party has been declared to be "the establishment of a Socialist Commonwealth of Great Britain—free, democratic, efficient, progressive, public-spirited, and its material resources organized in the service of the British people."

Since their formation of a government in July 1945, with a clear mandate to deal with national problems in their promised fashion of limited socialism, the Laborites have carried into law in all its main points, and in some respects have exceeded, the Beveridge *Report* endorsed in 1943 by the coalition government. This has involved a new and liberalized Education Act, extended Social Insurance, and a system of socialized medicine which in effect completely cares for all medical and dental requirements of the entire population. They have placed the Bank of England, the British airways, the cable and wireless services, coal, electricity, gas, and the entire internal transportation system under government ownership. The bill for nationalizing the iron and steel industry, most controversial of all these proposals, has been introduced, and will become law early in 1950 unless a prior General Election should result in a Conservative victory. Mainly in order to assure the passage of this act, a bill further limiting the delaying powers of the House of Lords has been started toward passage, and will become law also in 1949. A series of measures has taken Britain a long step in the direction of economic and social equalitarianism.

These acts constitute the principal achievement of the Labor Party in domestic affairs, considered as part of the long-range policy of the Party. Along with them has gone perforce a drastic system of administrative control of the British economy, not so much for reasons of principle as in order to meet the necessities of the postwar financial crisis. The continuation of wartime rationing, the stringent control and allocation of imports, the drive to increase exports, the whole program of "austerity," are measures of emergency and only incidentally measures of "Socialism." These restrictions have been administered with great fairness to all classes. But they weigh heavily, and have been used by political opponents to attack the government, which in turn has had to work hard explaining that austerity is an unavoidable misery, whatever government is in office. On the whole, the public seems to realize the truth of this, and no responsible Conservative promises that his party, if elected, could forthwith restore comfort and plenty.

In carrying out its policies the Labor Party has experienced stoutly held differences of opinion within its own ranks. The Party, and more particularly the government, is divided roughly into left and right wings, and the exhausting task of the Prime Minister has been to harmonize the dissident elements of his Cabinet, which contains probably a greater number of men of strong personality and deep conviction than any British Cabinet since 1911. The right wing, represented by Herbert Morrison, Ernest Bevin, and at least in fiscal practices, Sir Stafford Cripps, emphasizes social security, increased production, deflationary financial policy and very close relations with the United States. The left wing, represented by Aneurin Bevan, Emanuel Shinwell,

and Hugh Dalton, favors the nationalization of yet more industries, a policy of low interest rates, and the continued ample expenditure of public funds on social projects and services which would tend to exert an inflationary effect upon the economy. When in late 1947 Dalton was replaced by Cripps at the Exchequer, it signalized a turning of the administration toward its right wing as regards financial policy, with a consequent increase in austerity and a gradual improvement in the fiscal situation. But the controversial bill for nationalizing iron and steel was nevertheless introduced and appears to have been the price demanded by the left wing as the alternative to their desertion of the government.

In foreign policy the disagreement between right and left wings of the Party, particularly over relations with the US and the USSR, has usually been more evident than over domestic matters. Since Labor's victory in 1945 the dominant right wing of the Party has mistrusted Soviet intentions, favored an increasingly hard line toward the USSR, and promoted the Anglo-US *entente cordiale*. The minority left wing, ideologically inimical to the "capitalist" and "reactionary" US, felt that the UK could take a central, neutral position between the two major powers and achieve equally friendly relations with the USSR as with the US. This dissident group mustered its greatest strength, about one-quarter of the Labor members of Commons, during a Parliamentary debate in November 1946 on the issue of British policy toward the USSR. The size of this group has steadily diminished since that time, although for the succeeding six months or so Foreign Secretary Bevin had to be exceedingly careful not to provide the "rebels" with new ammunition regarding his pro-US, anti-USSR attitude. The advent of the Marshall Plan, Soviet hostility to democratic Socialism everywhere and, finally the Soviet coup in Czechoslovakia tempered the leftists' anti-US policy, largely eliminated their sympathies for the Soviet system, and freed Bevin's hands. Stern discipline, extending to expulsion from the Party, was applied to the extreme recalcitrants. The group now numbers only twelve to fifteen Laborite members of Parliament. Bevin has consistently had the solid (if sometimes embarrassing) support of the Conservative Party in his policy toward the USSR, but Labor's 1945 electoral argument that "left understands left," and therefore the Party could achieve friendly relations with the USSR, has not been realized. The prospects of a serious Labor Party cleavage over foreign policy seem remote. While the Party is not altogether satisfied by its intimate connection with the US, and the left wing will always be ready to re-form and protest if the principles of socialism should be endangered by excessive US influence, the proximity of a general election will tend to prevent schism.

The platform on which the Labor Party will campaign in the coming General Election will be based upon a policy statement drafted by the National Executive Committee during April 1949. This statement was submitted to constituent organizations for discussion and study, came up before the full Party Conference in June, and was approved without major modifications. The Committee's draft reflects neither a rightward nor a leftward turn; it is a compromise between a conservative desire to spend "the second five years" mainly in consolidating the reforms of the first five, and the radical belief that the momentum of socialization should be maintained. The statement emphasizes the consolidation of the reform already accomplished, but six fields of enterprise are newly marked for nationalization; sugar manufacture and refining, "suitable" mineral deposits, cement manufacture, private and municipal water companies, meat wholesaling and cold storage facilities, and industrial insurance companies. These have far less economic importance than the eight industries nationalized during Labor's first term. The shipbuilding and chemical industries are to be watched, and it is proposed that the government be permitted to nationalize at least parts of these if it should seem necessary for the national interest. To safeguard agricultural production the need for acquiring large estates that are in danger of being divided into uneconomic units is stressed. The government may also, for the purpose of furthering competition, buy businesses which are offered for sale, and compete with private enterprises. More housing, town planning, educational fa-

cilities and holiday centers are promised the people. But although social welfare measures are underlined, the statement indicates that their expansion depends on increasing the economic productivity of the nation.

For all the concessions which this program makes to the more theoretical Socialists, and its promises to the general body of constituents, the fiscally orthodox and painfully austere economic measures of the Party were clearly presented in Sir Stafford Cripps' budget for the year 1949-1950. No taxes were reduced save for a penny taken off the pint of beer. Food subsidies were to be pegged in such a way that the cost of living would immediately advance. Business enterprises were to get slightly more generous treatment with respect to the proportion of profits which they might put aside for capital development. Expenditures for social welfare services and the like, said Cripps, could not be much further increased without large increases in revenue. Thus the outlines of Labor's economic policy were seen to be still directed towards a conquest of inflationary tendencies, an increase of exports, and a keeping of imports to a minimum. Such a program must depend for an appeal to the voters upon its remarkable honesty, for it certainly offers them no bribes or delusions. The problem will be for Laborite leaders to maintain such a policy during the coming year against the pressure of rank-and-file opinion, and to do so without sacrificing their chances in the coming election.

The Conservatives hope to gain the votes of those who are "tired of Socialist misrule." Their leaders have taken a "practical" political view, that no government which has been in power during the five frustrating, austere, postwar years can hope to be returned by the grateful citizenry. Hence the Conservatives for long scarcely thought it needful to draft a detailed policy of their own. In their customary fashion they indicated that they would organize the economic battle with greater competence than their opponents have shown—this is their major argument—and they hinted that the United States might be more generous to a non-Socialist regime. They promise that if elected they will reverse the nationalization of steel, and probably also of road haulage. They have issued three manifestos: an "Agricultural Charter," an "Industrial Charter," and an "Imperial Charter," which set forth in general terms their beliefs; finally they produced in July 1949 a pamphlet entitled "The Right Road for Britain." The Conservatives do not promise any headlong retreat from the principles and practices of the "welfare state"; if they should be elected there would be no revolutionary change, but certainly a shift in emphasis. The most remarkable effort of the Conservative Party has not been in enunciating policy, but in reorganizing and refinancing the party. Under the direction of Lord Woolton party membership has jumped from less than one million to some two and a half million (the Labor Party counts over five million), and at least two million pounds have been raised from voluntary contributions.

Neither party can look forward to the coming election with assurance of victory. Many competent observers believe that Labor will win again, but with a much reduced majority. This prediction is based mainly on the lack of a clear, positive, and inspiring Conservative policy; on the persistent public suspicion of the Party as representing the worst aspects of the old order; and on the assumption that the incumbent Labor Government will be able to select the election date most favorable to its return. On the other hand, it cannot be denied that the vastly increased effectiveness of the Conservative Party organization must show results in getting out the votes, while the dreariness of life under austerity cannot fail to be reflected in a lack of enthusiasm for the government in office. Recent local elections show a definite trend towards the Conservatives, but it is not yet pronounced enough to make predictions certain.

One important fact about the situation is that political evolution has continued in the traditional British fashion; the Conservative Party has adjusted itself to all but the most recent accomplishments of its opponents, and it could take office without producing anything even approaching a revolution. Stoutly as the Conservatives denounce socialism, they would certainly not denationalize coal, nor the Bank, nor the medical services, nor the utilities, nor probably the transport services (ex-

cept road haulage); only steel have they promised to retain under private ownership. Grumble as they may against government controls, they have failed to point out which ones they are prepared to eliminate. This omission weakens their arguments. But they repeatedly emphasize that they could manage better, more efficiently, and thus eliminate the waste motion and reduce the red tape involved in the complex domestic workings of the government. More recently they have begun to take issue with the government's foreign policy, not on its general principles and aims but on its implementation. On certain questions the government has exposed itself to charges of clumsy handling. As the election approaches, the Conservatives will be alert to make the most of such openings, and the management of foreign policy may take an important place beside the management of government in general in the Conservative electoral arsenal.

No doubt, if the Conservatives should win the next election, there would be a change of emphasis and of feeling in the government. The great problem would be whether British working classes would give the support without which no program of increased exports and disinflation can hope to succeed. It is possible that they might more frequently yield to a temptation to strike for higher wages and more amenities, yet the workers, and particularly their leadership, have a relatively mature outlook, and it seems probable that they would act, by and large, in the national interest. It is conceivable therefore that the workers' hostility to a Conservative Government would not be reflected in any substantial reduction of productive effort. It is likely, nevertheless, that labor would tend to look on whatever a Conservative Government told them as propaganda designed to exploit the poor; that labor leaders would be little inclined to support any policies increasing workers' hardships or failing to take account of workers' wants, and in any event would be less able to convince the rank-and-file of the necessity for such policies; and that in consequence labor would become increasingly restive. There can be little doubt that labor stability, remarkably high under the Labor Government, would deteriorate to some extent. It might deteriorate sufficiently to retard seriously Britain's progress toward economic recovery.

Thus the British still continue in politics to maintain two parties, which, though doctrinally hostile to each other, nevertheless are in practice close enough together so that one may succeed the other in office without destroying the basis of the state. The United Kingdom is therefore constitutionally among the most stable of all countries, whether or not the outcome of the next election can be predicted with certitude. There is little doubt that the natural swing in British politics will restore the Conservative Party to power at some stage, in 1950 or later, but the broad pattern of economic and social planning that now exists seems likely to remain typical for a long time. Fundamental changes in the trends and movements of policy would be neither politically feasible nor economically possible.

CHAPTER II

ECONOMIC SITUATION

1. Growth of the Industrial Economy.

The United Kingdom has an area of about 94,000 square miles and a population numbering 50 million. The islands contain few natural resources save for coal and iron ore; nevertheless, they constitute one of the foremost industrial areas of the world. The national income in 1948 was equivalent to about $39 billion. Steel production was over 15 million tons, and coal production over 200 million. Raw materials and food to sustain this economy must in large part be imported from overseas, and paid for by exports; the extent of this foreign commerce is so vast as to make the UK, except for the US, the greatest of all trading nations. Before World War II Britain enjoyed a standard of living (among greater nations) second only to that of the United States; since that time it has been engaged in a tremendous struggle for recovery from the economic dislocation of war. This struggle is being conducted by a moderate Socialist Government, under the principles of a planned economy. Progress to the middle of 1949 was very encouraging.

Historically the British attained this economic eminence and high standard of living by producing a wide variety of goods, almost all manufactured or processed, better and more cheaply than any other people on earth. British industry, inventiveness, and trade were favored by a climate peculiarly suitable to the development of the textile industry, by the geographical position of the islands, by the presence of large deposits of coal and iron ore, by the natural skill and aptitude of workers, and by the early establishment of a legal system favorable to the rights of property and virtually free from the capricious interventions of rulers. Great Britain was the first country in the world to be industrialized. It was the first to exploit on a great scale waterpower, coal, and steam; the first to change from a land of agricultural peasants to a land of industrial townspeople; the first to use the railroad; and the first to employ the steamship on a gigantic scale. Britain was soon in a position to outbid any competitor in the world market. With undisputed mastery of the seas as an outcome of the Napoleonic wars, Britain was able to serve this market freely in its own ships and to build up the foreign trade and exchange surpluses which it enjoyed for generations. The surplus of foreign exchange thus acquired was invested throughout the world, and Britain became not only the world's principal manufacturer and trader, but the world's investment banker, adding to its material prosperity by earnings from "invisible items" of export such as shipping and financial services, as well as by the income from overseas investments.

During the latter half of the 18th and the first half of the 19th centuries, Britain customarily exported more goods than it imported. Since about 1875, however, trade deficits have been customary and have been more than met by invisible income. The United Kingdom, relying on income from overseas investments and other services, was able without difficulty to achieve financial equilibrium and indeed to show a considerable surplus up to 1931. Thereafter, because of increased foreign competition and greater self-sufficiency on the part of overseas customers, Britain showed small annual deficits on current account up to the eve of World War II.

2. Postwar Economic Position.

By the end of World War II, Britain's economic situation had become critical. Hundreds of thousands of buildings and installations had been destroyed or damaged during the war; the total physical destruction was

estimated at $6.8 billions. Millions of tons of merchant shipping were lost through enemy action. In addition, plant maintenance had declined. Normal machinery replacement was greatly retarded. The roads and railways had been over-used, and needed rehabilitation. The population was exhausted by the strain and stress of five years of war.

Also of great importance in their impact upon British economy were the losses of gold and foreign investments, and the large total of foreign liabilities incurred during the war. Before the period of Lend-Lease the United Kingdom was forced to liquidate a large volume of overseas investments in order to pay for imports of war materials and essential civilian supplies. The total sale is reported as more than the equivalent of $4.5 billion, of which $1.7 billion was in the US and Canada; $2.3 billion in the sterling area; and $500 million in the rest of the world. The process is continuing in the sales of British-owned railways in Argentina and of other British-owned public utilities in South America, and the result of all these liquidations has been a great reduction in the overseas investment income which formerly was an important factor in covering the British trade deficit. Furthermore, during the war the United Kingdom incurred greatly increased obligations in pounds sterling to various countries to pay for essential wartime goods and services and to finance the local currency requirements of the British armed forces. These sterling balances, as they are called, were estimated at the end of 1947 at about £3,675 millions ($14.7 billion), having advanced to this figure from a prewar amount of £250 millions.

As a result of these changes Britain, for the first time in modern history, is no longer a creditor country. The Second World War has made it a net debtor. And the chief problem of the British economy is to restore the balance of payments so that imports can be paid for and a reasonable standard of living maintained without borrowing from other countries.

When Lend-Lease was suddenly terminated in September 1945, the prospects for British industry, trade, and standard of living appeared dark indeed. Early in 1949, however, the United Kingdom had so far restored its position as to be earning by visible and invisible exports an amount roughly equivalent to the cost of its imports valued in sterling. But since the surpluses earned in trade with Europe and with the sterling area could not be converted into dollars, there remained a considerable deficit in current trading account with the Western Hemisphere. This deficit was in the period from 1 July 1948 to 30 June 1949 covered by aid from the US under the European Recovery Program (totalling $1,263 million), by drawing on the Canadian credit, and by depleting gold and dollar reserves. Sterling meanwhile began to be a scarce currency by comparison with all except dollars. The volume of British exports in January 1949 rose to a high point of 162 percent of 1938, while that of imports for 1948 as a whole was kept at about 81 percent of 1938. The level of British industrial production in 1948 was 20 percent over that of 1938. Agriculture at home is providing an increased proportion of food for the Kingdom. More than 750,000 new houses have been built. The merchant marine has more than regained its prewar tonnage. The armed forces have been systematically demobilized nearly to peacetime strength and absorbed into the economy with remarkably little difficulty. The labor force of Britain supports the Government of the Labor Party with consistency if not always with enthusiasm, and the number of man-hours lost in strikes since the war is but a tiny fraction of the figures for the comparable period after World War I. Rigid controls, rationing, and subsidies have kept inflation fairly well in hand, though the wholesale price index (1938 =100) had gone up to 216.2 in 1948. In the fiscal year 1948-1949 a budgetary surplus of £353 million was achieved. About 24 percent of the gross national product was devoted in 1948 to capital investment. And the standard of living, though painfully austere for the middle and upper classes when compared with their prewar comfort, is probably higher for the workers than in 1938.

These things show that Britain has made very great progress toward recovery. Indeed, Britain has recovered, and more than recovered, so far as its domestic affairs alone are in-

volved. But it is the peculiarity of the British economy that it must live by foreign trade, and therefore that the condition of the balance of payments is the surest indicator of health. The deficit on direct UK account in dollars continues at £186 million for the first half and £125 million for the second half of 1948. While encouraging as contrasted with £655 million for 1947, this still constitutes the worst problem to be faced. Nor can the British look ahead with confidence to a solution. From 1945 through 1948 in the postwar sellers' market, they have been able to sell abroad without difficulty; it remains to be seen whether they will have equal success if scarcities are relieved and competition becomes more keen. To meet these situations nothing will suffice but an increase in productivity with accompanying decrease in costs. British productivity is not high, as compared with that in the US, and there are indications of resistance abroad to the present high level of British export prices. The government is giving much attention to this problem. There is a belief in some quarters that devaluation of the pound sterling cannot be avoided.

a. The United Kingdom's Economic Policies and Programs.

The government under the guidance of Sir Stafford Cripps has embarked upon an economic program designed by 1952-53 to "achieve and maintain a satisfactory level of economic activity without extraordinary outside assistance" and without an intolerable sacrifice in the standard of living. In order to attain these ends, the great requirement is for a steady increase in productivity. Efforts to achieve this increase are greatly hampered by the widespread obsolescence of the industrial plant. Presupposing the continuance of outside aid for the period of the plan, the government is accordingly planning an annual gross investment program at current prices of the equivalent of $8,500 million, approximately one-fifth of the estimated gross national product, for the development and modernization of industrial and agricultural equipment and for the expansion of agriculture. Industries affected by the program are coal, oil, iron and steel, engineering, chemicals, textiles, and shipping. Investment resources will be distributed approximately as follows:

	Percent
Fuel and Power	15
Transport and Communications	18
Agriculture	6
Industry (including Iron & Steel & Shipbuilding)	33
Housing	16
Social Services (Water Supply, Health Education, etc)	7
Defense and Public Administration	5
Total	100

By these means the United Kingdom is hoping to expand the output in manufacturing, mining, agriculture, building, and public utilities to a level about one-third above prewar, and to increase manufacturing output by the early 1950's to a level about 40 percent above 1938. It is also hoped to raise the level of exports to a continuing 150 percent of the 1938 volume, while holding the level of imports to 15 percent below the volume of the same year. This export-import program has aroused resentment in some European countries, particularly France, where it is felt to threaten their own recovery plans. In deference to this reaction the United Kingdom may be expected to modify somewhat its plans for foreign trade, while adhering as closely as possible to its program for domestic industrial rehabilitation.

The recovery program also includes plans for the development of the resources of the colonies and dependent territories (see below, para 9). About £400 million have been voted for the period 1946 to 1956, providing for a general expansion of basic economic and social services in the colonies as well as for projects of a purely commercial character.

The British Labor Government is a Socialist Government, and its program has been worked out within the framework of moderate socialism which was described in the preceding chapter. Basic industries and enterprises have been nationalized, including the Bank of England, coal, transportation, and communications (cable and wireless); a bill to nationalize iron and steel is now in the final legislative stage. Taxation claims 40 percent of the total of all incomes, including business incomes. However, since many government ex-

penditures are merely transfer payments, a considerably lower proportion, some 18 percent of total resources available, goes for governmental purposes. Nevertheless, the enormous expenses involved in running the "welfare state" sometimes appear prejudicial to the strictly economic requirements of the nation; for instance, the cost of the national health service, of the food subsidies, of education and social insurance, is very great. The multitude of economic controls are not all established in pursuit of socialist theories; many of them are necessary only because of the economic emergency, but they are administered so as to distribute sacrifices as far as possible equitably between rich and poor. It is still a subject for acrimonious argument between Laborites and Conservatives whether the socialism of the government is or is not prejudicial to economic recovery and to the efficiency of the productive machine in the long run.

b. External Economic Aid to the United Kingdom.

Realizing the grave strategic and economic impact on the US of a financial collapse of the United Kingdom and the sterling area, the US Government has taken active steps to give economic aid to Britain. The US agreed in January 1946 to a generous settlement of the British Lend-Lease account. The US Government further agreed, on 15 July 1946, to lend the government of the United Kingdom $3,750 millions, supposed to last for at least two years and with repayment to begin in 1952. This loan was intended to "facilitate the purchase of goods and services in the US, to assist the United Kingdom to meet transitional postwar deficits in balances of payments, to maintain adequate reserves of gold and dollars, and to assist the United Kingdom to assume the obligations of multilateral trade." In compliance with this last requirement Britain undertook, one year after the effective date of the agreement (i.e., 15 July 1947) to make freely convertible for current transactions in any currency area without discrimination the sterling receipts from current transactions of all countries. The world-wide dollar famine, however, led to a run upon sterling and a prodigious loss of dollar reserves, estimated at over $800 million during the period of convertibility. The free convertibility of sterling was accordingly abandoned on 21 August 1947, and the dollar line of credit, dissipated by this experiment and by the continued rise in world prices, was exhausted in March 1948.

In view of the slowness of recovery and the immediate danger of economic collapse and chaos in Western Europe generally, the loan to Britain was followed, on 3 April 1948, by the Economic Recovery Program—expected to last for four years. The United Kingdom's share for the first year, ending 30 June 1949, was $1,263 millions (gross) of which $310 millions was in the form of a loan. Since it is the hope of the United Kingdom to achieve viability by 1952, Britain planned to reduce its requests for allocations by 25 percent annually and accordingly asked for $940 millions for 1949-50. The ratio of loan to grant for 1949/50 has not yet been decided.

The same policy of enlightened self-interest has been adopted, since the war, by members of the British Commonwealth. Australia and New Zealand have willingly cooperated with the United Kingdom in not demanding repayment of their sterling balances and in reducing to a minimum their claims on the sterling area's dollar pool. Canada extended to Britain in July 1946 a line of credit of $1,250 millions, of which some $230 millions still remained unexpended at the end of 1948. Australia has contributed almost £35 millions and New Zealand £10 millions in outright gifts since the war, and Australia also reserves for sale to the United Kingdom its entire annual output of gold to an annual value of $31.5 million. The Union of South Africa, in 1948, loaned to the United Kingdom gold to a value of £80 million, repayable in sterling.

c. Economic Stability.

While the United Kingdom's economic record since the war and especially during 1948 was impressive, it is probable that the rate of recovery will slow down appreciably in the future. The continuation of US economic assistance at least until 1952 remains a prerequisite to success. As long as the export drive is maintained and imports are sharply restricted the threat of inflationary pressure remains, but the government is clearly alive to this danger and is implementing a policy to meet

it. The upward curve of industrial production, which in 1948 reached a level of more than 20 percent above 1946, is showing a tendency to flatten out. The initial steep rise in output was the result of reconversion of facilities and the redeployment of increased manpower due to demobilization. Under present conditions of full employment and lessening scope to redeploy labor, increased productivity per worker appears to be the only way to increase output. That the British Government is fully aware of this is shown by its efforts to modernize production facilities and to render manufacturing methods more efficient. To this end the advice and cooperation of US industrialists is being welcomed. The program for increased production and export, however, could easily be upset by any serious increase in the demand for rearmament. The future of the export trade, as has been mentioned above, is highly problematical.

The British economy has the benefit of a highly skilled, experienced, and homogeneous labor force, and it is not subject to capricious political fluctuations. The British citizenry pay taxes and obey laws. But the British economy, more than any other of comparable scope, is dependent upon outside forces over which the British themselves have little or no influence. In the nineteenth century they virtually controlled the economy of the world; now they are virtually controlled by it. Pessimists affirm that the British cannot maintain their mode of life under such conditions as obtain at present, and that the problem had best be solved by mass emigration, with the British Isles reduced to the more modest economic stature of a century and a half ago, supporting themselves on their own very limited resources. Optimists think better of the prospects, but even they cannot deny that the stability of the British economy depends upon favorable world conditions as much as upon the qualities of the British themselves.

3. Labor Supply.

The working population of the United Kingdom now numbers 23,207,000. It is highly skilled, well disciplined, intelligent, and possesses an almost excessive degree of stability in political and social character. During the next twenty to thirty years its numbers will decline by about one million, primarily because of the low birth rate of the 1930's and the raising of the school-leaving age to 15. This may well present serious problems, since the labor force is already considered insufficient for the needs of the country's economy; several highly important industries such as coal and textiles are undermanned, while the diversion of required numbers to the armed forces is accomplished only at virtually prohibitive economic cost.

The scarcity of labor in Britain, however, is not a simple matter of insufficient population; indeed it is sometimes argued that Britain would have a surplus of workers if they were properly distributed industrially and geographically, and if they were provided with more efficient and modern tools. In an attempt to achieve better distribution of labor the government first urged and pleaded, and finally resorted in October 1947 to the so-called Control of Engagements Order, which gave it authority to enforce a flow of workers to the important undermanned industries. The propaganda has been only moderately successful, and the Control of Engagements Order has been timidly used; its frequent or extensive application in time of peace would arouse protests and opposition too sharp to be disregarded. As for the provision of better tools and capital equipment, this is one of the central phases of the government's long-term program, and has been described in preceding pages.

By way of providing a greater number of workers, the government has carried on a campaign of publicity, attended with such slogans as "Work or Want", in an endeavor to persuade all able-bodied persons to contribute by their labor to the national product. A drive for women to return to wartime work in the factories met with fair success. Various plans to enlist foreign labor (the European Volunteer Workers, the Polish Resettlement Corps) were put into effect, and by December 1948, over 150,000 foreign workers had been placed in employment, half again as many as the government had at first judged to be required. Unemployment is low; about 400,000 workers, or 1.7 percent of the labor force, are

out of work. This condition answers not only to the economic needs of the moment, but also to the policy of the government, which has proclaimed the solemn intention to keep in jobs all people who want them. No contrast could be greater than such a condition as that of two decades ago, when the presence of almost two million unemployed constituted the greatest problem Britain had to face.

About nine million British workers are members of trade unions; about eight and a half million belong to the 190 unions affiliated to the Trades Union Congress.* There are four types of trade union organization—craft, industrial, occupational, and general. The oldest type is that of *craft* unions, composed of workers performing the same or a very similar industrial operation; most of them are of medium size, with membership ranging from 5,000 to 50,000. However, six of the twenty largest unions are craft unions, among them the Amalgamated Engineering Union and the United Boilermakers' and Iron and Steel Shipbuilding Society. Craft unions are often criticized for their lack of solidarity with other sections of workers and for the fact that they sometimes hinder comprehensive schemes of union amalgamation. While it is unlikely that new unions will develop on craft lines, those existing are considered an important segment of British trade unionism. *Industrial* unions cater for all workers, skilled and unskilled, within a given industry. Where it is difficult or impossible to build one union for an industry, federations such as the National Union of Mineworkers are a good working alternative. *Occupational* unions organize workers within a well-defined occupation. Membership in such unions is conditional upon the worker remaining in a particular employment, as in the case of the Railway Clerks' Association, or in the employ of a particular employer, as in the case of the Prudential Staff Association. *General* unions cater for workers in many industries; beginning with unskilled laborers, they have come to include many of the semi-skilled grades and even some of a high degree of skill. They tend to cut across the structure of industrial unions and to swallow small unions. To guard against this, there is some tendency for the unions in specific industries (for example, agriculture and tobacco) to build up an industrial unionism which competes with the general unions, to some extent successfully. The two great general unions, the Transport and General Workers' Union and the National Union of General and Municipal Workers, with a combined membership of over two million, account for over a quarter of the total trade union membership.

For many years collective bargaining in Britain has increasingly meant negotiating national agreements for an industry between a union (or group of unions) representing the employees and an association representing the employers in that industry. There are still many examples, however, of negotiations conducted on a local or district basis. In settling local disputes, every effort is made first to deal with it through the local union representatives or Works Committee; if this fails the agreement frequently provides for the reference of the dispute to a joint body of employee and employer representatives on a district basis. Failing settlement it is then referred to the national bodies, the general principle being that there is to be no negotiation while a strike or lockout obtains. In case the national bodies cannot agree, provision is made for arbitration. The machinery for arbitration is voluntary in peacetime and decisions are not binding. By government order in 1940, to avoid disputes during the war, strikes and lockouts were legally prohibited unless the dispute had been referred to the Minister of Labor and he had failed either to have it settled or referred to the National Arbitration Tribunal within twenty-one days. Decisions of the Tribunal were binding. The Order has not, as yet, been rescinded, but it is not expected to be maintained indefinitely. When it is abolished, the Industrial Court, established in 1919 by recommendation of the Whitley Committee, will be reestablished. This Court is an independent tribunal whose members are appointed by the Minister of Labor. Acceptance of its decisions is not mandatory, but they have rarely been rejected. The his-

* See Chapter I Para. 5a for a more detailed account of the Trades Union Congress and the political activities of labor generally.

tory of negotiations for wages and better working conditions for the British worker has been peaceful on the whole.

The Whitley Committee of 1916 gave a great stimulus to the development of Works Committees in factories, which today play an important part in dealing with such things as welfare matters, absenteeism, and fairly recently with the problem of increasing production. Because of the growing demand by workers for a more active role in stepping up production, Joint (labor-management) Production Committees, established in 1942, have grown steadily. Trade union leaders consider them valuable as a means of educating the labor rank and file to an understanding of the need for increasing production.

The main problem of the government with respect to the labor supply since the war has been to induce a new approach in the working population; a more enterprising, confident, and energetic state of mind; an eagerness to contribute to the raising of productivity; and even a willingness to forego wage increases in the interests of national recovery. The problem is difficult, not only because of the traditionalism of the British worker, but also because few are bold enough to prophesy with entire conviction that full employment will endure after the sellers' market vanishes and international competition once more arises. The British worker is not altogether stupid in his reluctance to trust the future. Nevertheless, the leaders of the trade unions have for the most part been converted; they have issued exhortations to raise productivity, and they have seen the necessity of keeping money wages at roughly the present levels. The process of converting the rank-and-file is under way, and is meeting with some success. Much will depend upon the actual course of economic affairs in the world.

4. Natural Resources.

Rich deposits of coal and iron ore formed the early bases of British industrial development. Coal is still the main fuel of the national economy and in normal times is also a profitable item of export; reserves were estimated by the last authoritative survey, in 1915, to be 197 billion metric tons. Of alternative sources of energy, virtually all oil must be imported; potential water power is confined to the highlands of Scotland and Wales and has, to date, been little exploited.

The deposits of iron ore are chiefly concentrated in the midland counties around Leicester and Lincoln and on the northwest coast near the Cumberland coal fields. The grade of ore is low, averaging about 30 percent iron, but the general practice of open-pit mining results in a low cost of production. Ore mined from these deposits normally satisfies about two-thirds of the needs of Britain's iron and steel industry. Reserves, both actual and estimated, are set at about seven billion tons. There are also ample deposits of the limestone necessary to the modern steel-making processes.

Only small deposits of non-ferrous metals are found, including copper and the tin ore of Cornwall, which was mined before the Christian era. Domestic tin production in 1945 was only 995 long tons. Lead occurs in Flintshire, Durham, and Derbyshire and zinc is found mainly in north Wales, the north of England, the Isle of Man, and the county of Dumfries in Scotland. These deposits, however, are by no means sufficient to meet the demands of the United Kingdom, a heavy consumer of non-ferrous metals, and Britain is obliged to import heavily from the Empire and Latin America.

Important tonnages of non-metallic minerals are found in the United Kingdom. In 1947, 86,107 metric tons of barite, used in paints and in drilling muds, 65,000 metric tons of fluorspar and 40,639 of rock salt were mined. The United Kingdom is now the major world producer of celestite, an ore of strontium which is strategic in wartime because of its use in tracer bullets and flares. Official celestite production figures for 1947 have not been reported but are believed to have been about 5,000 metric tons.

The whole British supply of china clay, which is of great importance in the ceramic, papermaking, bleaching, and chemical industries, comes from Cornwall. With this exception, however, as well as those of coal, salt and limestone, the United Kingdom is obliged to

buy abroad most of its raw materials for the chemical industry.

Great Britain was once heavily forested, but centuries of timber cutting and clearing have denuded the country of the original growth. Woodland of all types now approximates three million acres. Native timber production is inadequate to meet the country's needs and must be supplemented by imports from abroad, chiefly from Scandinavia and Canada.

5. Agriculture and Fisheries.

a. Agriculture.

For the purpose of an agricultural study the United Kingdom may be divided by a line running diagonally from the middle Severn River to the Lower Tyne. North of this line is a highland region which is relatively poor farming country, and south of it are lowlands, which are relatively good. The climate is generally mild with adequate rainfall. There is little direct sunshine and only in the south and southeast is it sufficient for the production of abundant crops.

About 19 million acres are arable and under plough, the main crops being wheat, oats, barley, potatoes, and sugar beets. A high proportion of acreage, however, is suitable only for grazing and has led to the development of an animal industry which has become world famous. Britain is noted for its exports of high quality breeding stock. In addition, sheep bred particularly on the southern downs produce for export about 50,000 tons of good quality wool per year.

Livestock production has decreased owing to wartime reductions of feedstuffs to save shipping space, and also because of losses of animals in the disastrous winter and spring of 1946-47. Some degree of recovery has been achieved, however, which it is hoped can be continued in 1949-50, as reflected in the following table:

		(*Percentage of prewar*)	
	Average *1936-37-38-39*	*1947-48*	*1949-50 Program*
Milk	100	109	121
Eggs	100	83	108
Beef and veal	100	83	93
Mutton & Lamb	100	55	70
Pig Meat	100	29	50

In prewar years the United Kingdom produced less than 30 percent of its average food requirements, importing the balance from abroad; in fact about 47 percent of all annual imports consisted of food and feedstuffs. During the war more land was put under cultivation and the productivity of farms increased until domestic production supplied about half of the food requirements. In spite of this increase of production, however, Britain was still obliged in 1947 to import as shown in the following table:

	Domestic Production 1946-47	*Imports*
Wheat	31.5%	68.5%
Oats	91.0	9.0
Sugar	34.0	66.0
Eggs	47.0	53.0

A large proportion of these imports came from the Western Hemisphere. In an effort to ameliorate this condition the government has announced a 4-year plan whereby agricultural production in 1952-53 is to show an increase of 50 percent over prewar and 15 percent above the wartime peaks. Goals in individual major items as a percent of 1936-39 production are as follows:

Bread Grains	157
Coarse Grains	199
Potatoes	158
Sugar	132
Dairy Cattle (Milk)	123
Other Cattle (Beef & Veal)	110
Poultry	152
Eggs	131
Sheep	83
Hogs	92

The stages by which the 50 percent increase during the next four years are expected to be attained are shown below:

1948-49	128% of prewar production (130% actually reached)
1949-50	135 of prewar production
1950-51	143 of prewar production
1951-52	150 of prewar production

The acreage of wheat for 1951-52 has been set at two and three quarter million, considered to be about the highest maintainable without an acute distortion of the general farm pattern and loss of soil fertility. The large expansion of livestock production will necessitate a marked increase of acreage under coarse

grains and fodder production and vigorous efforts are being made to extend the cultivation of linseed, which is of value as a source of oil cake for cattle as well as oil for industrial purposes. Importation of feedstuffs, while below prewar level, is expected to be heavy until the domestic production expansion can begin to show results.

The program envisages a total capital investment in agriculture of about $1,800 millions, of which about $800 millions is expenditure in farm machinery. In recent years such rapid progress has been made in the mechanization of British agriculture that it is now one of the most highly mechanized in the world. The number of tractors in use has risen from 50,000 in 1939 to 250,000 in mid-1948; the total will be maintained at 275,000 to 300,000. The number of combine harvesters will increase from 6,500 prewar to at least 11,000 and grass driers from 400 to 1,500. These increases, together with replacements of worn-out or obsolete machinery, are expected to call for an expenditure of $200 millions per year. The United Kingdom is able to supply its own requirements of agricultural machinery with a substantial and expanding surplus available for export. Some $400 millions will be spent during the life of the program on farm buildings, and approximately $128 millions on drainage and irrigation, by which it is expected that some four million acres will benefit. Although great strides have been made in the domestic production of fertilizers, the United Kingdom is still dependent upon imports, particularly of potash and phosphate rock, and consumption under the proposed program will be increased by at least one-fifth.

In order to attain this increased agricultural output, the government stands ready to assist farmers in the hire of machinery and supplementary labor, by contract services, by price supports, and by the provision of short-term credit facilities. Qualified technical officers are available to advise farmers on all questions of technical improvement and efficient production, with special attention being given to grassland improvement. Where advisory methods fail to secure greater efficiency, the Agriculture Act of 1947 gives the County Agricultural Executive Committees powers to enforce standards of good husbandry even to the point of dispossessing inefficient farmers.

The agricultural program involves an expansion in the number of agricultural workers from approximately one million at present to a proposed 1,170,000 in 1951. In order to attract more persons to the land the government, under the Agriculture Act, offers assured markets and prices to the farmer by means of subsidies and price-fixing, and guaranteed minimum wages, as well as housing priorities and exemption from military service to the agricultural worker. Although the government has made better progress in recruiting for agriculture than for other undermanned industries, September 1948 saw the numbers approximately 24,000 under the target of 1,110,000 for the end of 1948.

The urgent need to save dollars has undeniably rendered the increasing of British domestic food and feed production more of a necessity than a choice, for under ideal conditions it would be more economical for Britain to continue importing the greater part of these requirements. The ultimate success of the program appears to depend upon the government's ability to attract the necessary manpower, to provide the necessary machinery on time, and to gain the willing cooperation of an unusually conservative class.

b. Fisheries.

This traditional British occupation is of great importance in the maintenance of the national food supply and it provides a profitable item of export. The seas which surround the British Isles have been fished intensively since the Middle Ages. The principal fishing areas are the North Sea, the English and Irish Channels and the Continental Shelf. Predominant catches are herring, cod, haddock, plaice, and hake, classed as wetfish, and oysters, crabs, and lobsters. The most important factor in the export trade is the herring catch, about 70 percent of which was pickled or salted annually before the war and shipped to Europe, principally to Germany, Poland, and the Baltic States. The continued unsettled condition of these markets, however, as well as the current shortage of meat in Britain, has led to intensive efforts to rationalize the fish storage industry

in order that this surplus may be conserved for home consumption.

During the war, the drafting of the younger men into the navy and the commandeering of most of the boats for war service reduced the annual catch to less than one-third of peacetime amounts. The catch for 1948 was a little over one million tons which is about the prewar average for 1935-38.

The British fishing industry is still somewhat undermanned, showing an estimated employment of 37,000 men in 1948 as compared to 40,000 prewar. Efforts are being made to increase the rate of catch by intensive modernization of ships and tackle. By 1952 about 80 new trawlers will be in commission; this should result in landings well above prewar and expand output by about $32 millions per year. New factories planned by the herring industry for the production of herring oil and meal will also be in operation. In an effort to prevent overfishing of the home waters the majority of the new vessels will be of long range, designed for fishing in other areas.

6. Industry.

a. General.

The traditional or basic British industries have long been those of coal mining, steel working, the fabrication of cotton and woolen textiles, shipbuilding, engineering, and the construction of machinery in general. More recent additions to the industrial field, which are rapidly growing in importance, are those of the electrical and vehicle groups, and the chemical industry. The major industrial areas of the United Kingdom and the principal commodities which each produces are as follows:

Greater London:	clothing, furniture, chemical, electrical machinery, scientific instruments
Birmingham:	ferrous and non-ferrous metals products, pottery
Liverpool-Manchester:	cotton textiles, machinery, chemicals, ships
Yorkshire and adjoining area:	woolen and worsted textiles, coal and iron (smelting and rolling)
Northumberland, Durham, Westmoreland area:	ships, coal, iron and steel
South Wales:	mining, coal, copper, tinplate, iron (smelting and rolling)
Scotland:	coal, iron and steel, ships, woolen and worsted goods, jute products
Northern Ireland:	shipbuilding, linen

British industry emerged from the war handicapped in its efforts at reconversion to peacetime pursuits by shortages, in many instances, of manpower, of coal and steel and power, and by maladjustments in the industrial organization of the country that have interfered with the regular flow of materials and component parts through successive stages in the production process. The obsolescence of plant is a further hindrance which has already been referred to. In spite of these difficulties, however, progress in raising production has been good, particularly in 1948, and in many instances is well above prewar. The physical output of important products as compared with 1938 is set out in the following table:

	1938	*1947*	*1948*	*1948 as a percentage of prewar*	*1948 Targets*
Coal (millions of tons)	266	197	208	78	211
Steel ingots and castings (millions of tons)	13*	12.5	14.9	112	14.6
Passengers cars (thousands)	341	287	328	96	300**
Commercial vehicles (thousands)	104	155	170	164	144**
Railway freight cars (thousands)	29	38	42	143	48
Agricultural tractors (thousands)	10	58	117	1,169	...
Cotton yarn (millions of lbs)	1,356*	740	890	66	900
Cotton fabric (millions of yds)	3,640*	1,620	1,880	52	...
Worsted yarn (millions of lbs)	224*	154	184	82	190
Wool cloth (millions of linear yds)	...	233	267	...	290
Rayon cloth (millions of lbs)	135	203	233	173	255

* 1937

** Derived as annual rate for fourth quarter of 1948.

Source: *Monthly Digest of Statistics.*

The index of industrial production for the year 1947 was 108; with 1946 being 100. That for 1948 stands at 120. However, the combined index actually climbed to 124 in November of 1947, and, with the exception of a brief upswing in October and November of 1948, has since that time remained virtually stationary. The flattening out of the curve indicates that the initial rise in production was owing to immediate postwar readjustments, including the return of manpower from the armed forces, and that the major adjustments had been completed by the last quarter of 1947. Further increase in production will have to come principally through an increase in industrial efficiency; this will be a slow process.

The interim index of industrial production for 1947 and 1948 respectively is shown in the following table:

Interim Index of Industrial Production
(1946=100)

	Monthly Averages	
	1947	*1948*
All industries	108	121
Mining and quarrying	102	110
Total manufacturing industries	109	123
Non-metalliferous mining industries		
China and earthenware	117	141
Glass	107	122
Bricks, cement, etc.	128	150
Chemicals and allied trades	105	120
Metals engineering and vehicle trades	112	127
Metal manufactures—Ferrous	102	116
Non-ferrous	113	115
Engineering, shipbuilding, and electrical goods	116	136
Vehicles	111	121
Metal goods not inc. elsewhere	104	111
Precision instruments, jewelry, etc.	114	128
Textiles and clothing	107	121
Textiles	107	126
Clothing	107	112
Leather, leather goods, and fur	104	101
Food, drink, and tobacco	101	109
Food	102	112
Drink and tobacco	101	106
Manufactures of wood and cork	97	107
Paper and printing	106	111
Other manufacturing industries	125	150
Building and contracting	111	122
Gas, electricity, and water	103	109

b. Coal.

Large deposits of good grade coal, which could be cheaply mined and transported, have in the past not only constituted the base of Britain's industrial structure (since indigenous supplies of other fuels are insignificant), but have also furnished the chief exportable commodity. The export of coal, amounting in prewar years to as high as 20 percent of production, was valuable both for itself and also because it provided a bulky outward freight for the shipping industry and thus reduced transportation costs for imported food and raw materials. The coal production program can therefore be considered to be the center of all British recovery plans.

The principal coal producing areas of the United Kingdom are three: the northern fields, located near Edinburgh and Glasgow and in the counties of Northumberland, Durham, and Cumberland; the central fields of Yorkshire, Lancashire, North Wales and the northerly Midland counties; and the southern fields of South Wales, the Forest of Dean, Bristol, and Kent. The coal is mainly bituminous, with some high grade anthracite in Wales, and is principally deep-mined. In an effort to increase production, strip-mining was introduced in 1942 with good results and it now accounts for about 5 percent of over-all production.

During the last quarter of the 19th century and the first years of the 20th, production of coal in the United Kingdom showed a steady expansion, the peak being reached in 1913 when over 297 million long tons were mined, of which over 73 millions were exported. Between the two world wars, however, increasing world production of coal, the growing use of other fuels such as petroleum, and the world wide depression of the 30's greatly reduced the foreign demand for British coal, and brought about a steady decline in production and widespread unemployment in the industry.

The decline both in production and export of coal is shown in the following table:

United Kingdom Production and Exports of Coal

Year	Millions of Gross Tons		£ Millions earned
	Output	*Exports**	*Exports*
1860	80.0	...	3.3
1880	147.0	...	8.4
1900	225.2	44.1	36.4
1913	297.4	73.4	50.7
1924	267.1	61.7	72.1
1929	257.9	60.3	48.6
1932	208.7	38.9	31.6
1935	222.3	38.7	31.6
1937	240.4	40.3	37.7
1938	227.0	35.9	37.4

* Excluding bunkers.

Annual production continued the above decline after the war, despite a great shortage of coal in Europe and an intense demand for it. A peacetime low of 190 million tons was reached in 1946, but production recovered to 208 million in 1948, when exports were about 11 million tons. Annual coal consumption in the United Kingdom, on the other hand, has risen from 180 million tons in 1938 to almost 193 million in 1948, with the most marked rise (14.9 to 28.7 million tons) being in the amount required for the production of electricity. Maximum output for 1949 is expected to be about 220 million tons. Maximum home consumption of about 200 million tons would leave an anticipated 20 million tons available for bunkers and exports.

The postwar British coal mining industry suffers from a pronounced shortage of manpower, and from a widespread, though by no means general, inefficiency of production. Generations of unsatisfactory working conditions, together with the insecurity caused by long and recurrent periods of depression and unemployment, have made coal mining unpopular in the eyes of British labor. Employment figures dropped steadily from a high point of 1,248,224 in 1920 to 782,000 in 1938 and to 697,000 in 1946. The position is worsened by the high rate of manpower wastage due to death, retirement, accident and disease, which now runs from 70,000 to 75,000 per year or about 10 percent of the work force. Employment figures at the end of 1948 were 726,000, about 24,000 short of the government's announced target for the year. Efforts are being made to attract more men to the pits by shorter hours, increased pay (now about 176 percent above prewar) and bonuses, larger food rations and housing priorities. Opportunities for employment in the mines are also extended to foreign labor and displaced persons.

In spite of these inducements, and the grant of a 5-day working week, the response of the mineworker has been disappointing except in the Durham area. Production targets are attained with difficulty, if at all, and much tonnage has been lost through unofficial strikes and absenteeism, which in 1948 averaged 11.6 percent (of which 6 percent was voluntary), a percentage almost double the prewar average. In reaction to these developments the government in the latter part of 1948 showed a tendency to adopt a somewhat stiffer attitude.

A primary contributory cause to unsatisfactory production figures, however, lies in the widespread inefficiency and obsolescence of the mines, due to wartime neglect as well as to generations of insufficient capital investment. Extensive improvement and replacement of machinery and equipment needs to be undertaken. While 72 percent of the coal mined annually in the United Kingdom is mechanically cut (as compared with 89 percent in the US) and 69 percent is mechanically conveyed, only 2 percent is mechanically loaded (as compared with 50 percent in the US), and it is here that the need for improvement is greatest. A general increase in mechanization in the British pits is not everywhere feasible, however, due to the natural conditions in many mines. New pits should also be developed, as only one-fifth of British mine shafts have been sunk since 1914. The old shafts, with their long distances from pithead to coal face, inevitably require more than their proper share of labor. As a result of such defects, the average output in tons per manshift worked in 1948 was about 1.09, as compared with 5.5 in 1946 in the US, although it is true that physical working conditions in the US mines are on the whole easier than in Britain.

It has long been recognized in the United Kingdom that the measures necessary for the rehabilitation of the coal industry are too great in scope for private enterprise to assume. Nationalization of the mines was being suggested as early as 1919. By the National Coal Bill, which became law in May 1946 with little opposition, the entire industry was taken over by the government. A compensatory figure for previous owners was set at $658,640,000 on the basis of the capital worth of assets and installations, and a nine-man National Coal Board was appointed to own and operate the mines. The Board has been granted great freedom of action, although it is responsible ultimately, in broad policy matters, to the Minister of Fuel and Power, and, through the Cabinet, to Parliament. The National Coal Board, as at present constituted, has occasioned widespread dissatisfaction among the mine-workers, the public and the Board members themselves, the main charge being that the structure is too centralized and inflexible. An early and drastic reorganization is being widely advocated. At the end of 1947, the first full operational year of nationalization, the Coal Board declared a loss of about $93 millions; of this, however, only $30 millions represented operational loss, the greater proportion being interest paid to former coal owners. In 1948 the Coal Board showed a small net profit, due largely to an increase in the price of coal.

British plans for the future of the coal industry, both for the long and the short term, are ambitious. The short-term aim is to produce, over the next four years, sufficient coal to meet all domestic requirements as well as all foreign export obligations undertaken under ERP, together with increased shipments to South America and Canada. The British anticipate a foreign demand for British coal, both export and bunker, in the neighborhood of 40 million metric tons by 1952–53. To meet this demand and also satisfy domestic requirements a production of between 250 and 260 million metric tons will be required, representing an increase of some 40 million tons or an annual increase of output of 5 percent per man-year. This increase must be achieved in the early stages of a 15-year program involving radical reconstruction of the whole industry.

Emphasis in the reconstruction program is to be laid upon underground haulage. In addition, large-scale surface cleaning plants are to be constructed, releasing men from hand-picking and improving the quality of the final product. Inefficient mines are to be closed down and work concentrated at the better collieries. During the four years ending December 1952 the Board expects to invest in reconstruction and development almost $600 millions; subsequent financing will be determined thereafter by Parliament.

Given the vigorous leadership which the above schemes require, the long-term prospects for the British coal industry appear encouraging. For the short-term, however, and until the benefits of reequipment can make themselves felt, the chances of meeting the coal requirements called for by the accelerated production and export programs depend upon a sustained production effort on the part of the mineworkers themselves. It is furthermore questionable whether the foreign demand for 40 million tons of British coal in 1952-53 will be manifest unless the prices are reduced below present high levels. Largely due to increased wages and cost of materials the expense of producing a ton of coal rose from about $3.00 in 1938 to about $9.00 in mid-1948. Such costs will present a major problem in the face of increased competition from European coal and low-priced Middle East oil. For the immediate future the only prospect of lower costs is in a consolidation of effort in the most productive areas and in increased productivity.

c. Petroleum.

The United Kingdom is the world's third largest consumer of petroleum products, being surpassed only by the US and the USSR. In 1948 consumption was 18 million metric tons, having increased to this figure from 11 million metric tons in 1938. (Demand in the US for the same years was 300 and 162 million metric tons, respectively.) The larger postwar demand in the United Kingdom has been

partly due to a coal-to-oil fuel conversion program which was started in the spring of 1946 with the object of conserving 3 million tons of coal by the substitution, as an industrial fuel, of 2 million tons of oil in 1946-47. 1948 consumption in the United Kingdom is estimated to be about 18 million metric tons. Since indigenous production is negligible, the bulk of British petroleum must come from abroad. Britain has long been active in the acquisition, control, and exploitation of a proportion of the world's oil fields, to such a degree that, through British-controlled companies, the United Kingdom is the world's second biggest producer of oil. Proven British-controlled reserves, as of 1 January 1947, have been estimated at 18,345,000,000 barrels (about 2.6 billion metric tons), situated chiefly in the Middle East, the US, and the Caribbean area. British-controlled output in 1946 was 46 million metric tons and increased in 1947 to 54 million metric tons. Production in 1948 is estimated to be about 64 million metric tons.

Since most British oil transactions occur overseas and hence do not figure in the "visible" home trade accounts it is not generally recognized that petroleum is the largest British export, being in 1946 at a value of $400 millions almost 1½ times the value of the automobile exports for that year. Increased income from the overseas operations of British oil companies was a contributory factor to the unexpected surplus on invisible account in the first half of 1948.

In spite of the fact, however, that there is an enormous annual surplus of production of British-controlled petroleum over domestic consumption, the British oil industry at present makes one of the largest claims for dollars. British companies are engaged in a highly complex foreign trade and their activities involve large dollar outlays for operating expenses and purchase of equipment. They are, furthermore, committed to supply the needs of many countries outside of the Commonwealth and Empire or risk losing their markets. As a result, large quantities of oil are purchased by United Kingdom companies from US companies to fill current requirements.

The greatest problem in the current British oil situation is that of transportation. Although the tanker fleet under the British flag is 3,797,000 gross tons as compared with 3,316,000 gross tons prewar, and represents 20 percent of the world's capacity, it is inadequate for the requirements of the British Commonwealth. Thanks to wartime construction the US tanker fleet now represents more than half of the world's total, and other countries are now dependent upon US transport to meet marginal requirements. Britain's payments in dollars for tanker freights in 1947 amounted to over $28 millions. To remedy this situation, the United Kingdom has planned a tanker fleet of 6,300,000 gross tons for the end of 1952. In a further effort to cut down transport costs, as well as to increase the output of the Middle Eastern fields, the capacity of existing pipelines which carry oil to the Mediterranean is being expanded in partnership with the US. In this way, the 3,500 sea miles from Abadan to the Mediterranean can be eliminated.

Britain is planning, over the next four years, to make great expansions in oil production abroad and refining capacity both at home and abroad. The main contributions will come from the Near East and Venezuela; it is also hoped to increase the oil production of Borneo and Trinidad from 4½ million tons in 1947 to 6 millions. In all, it is anticipated that production of British oil interests abroad in 1953 will be about 108 million metric tons, almost double the 1947 output.

A further marked feature of the expansion program is the development of refinery capacity. The British oil industry had long thought it more efficient to locate refineries at or near the source of the crude, which led to the development of the Abadan and Curacao plants. However, the present need to conserve dollars, plus the risk of losing the investment through expropriation by war or revolution, had led to a reversal of this policy. A large industry will accordingly be established in the United Kingdom capable of treating nearly 20 million tons of crude a year, as compared with a throughput of 2½ million tons in 1947. At an approximate cost of $500

millions seven new refineries will be constructed; work has already begun on three. Besides affecting large economies in foreign exchange, it is hoped that this new industry will stimulate the development of a domestic petroleum chemical industry, thereby saving the costs of additional imports.

Leaving out of account such imponderables as the political stability of the Middle East, the success of this program rests almost entirely upon the availability of steel, of which it is estimated that, in 1949-52, over one million tons will be needed for plant and building and 2½ million tons for maintenance, production, and marketing.

d. Electricity.

There are at present approximately 570 electrical supply establishments in the United Kingdom. Service is well distributed, except in Northern Scotland and Central Wales, by means of a national network called the Grid, which was completed in 1933 and consists of 3,000 miles of high voltage and 1,000 miles of low voltage wires, together with some 280 switching and transforming stations.

In August 1947 the electrical industry was nationalized and put under the control of the British Electricity Board, appointed by the Minister of Fuel and Power, which is responsible for the generation and high-voltage transmission of power and will have general control over the 14 area boards which distribute electricity to the consumers. Compensation was set at an equivalent of $1,400 million. The transition involved no drastic readjustment.

Shortage of generating capacity constitutes at present one of the major internal limitations in the expansion of production. This shortage is due mainly to the damage and neglect of six war years from which the industry is making but a slow recovery in spite of the fact that capital equipment and current maintenance is probably equal to that of the normal prewar year. The industry is further handicapped by a shortage of coal, which is the key to the production of electricity in the United Kingdom, since water power potential is limited and, as yet, little developed. Deterioration in the quality of the coal provided is also estimated to have cost the industry in 1946 nearly 5 percent of its effective capacity.

The war also prevented expansion to meet an enormous increase in demand for power, a demand which has reached a figure some 80 percent above that of 1938. Total capacity of the United Kingdom's electrical generating plant for the winter of 1948-49 has been estimated by the government at 10,550,000 kw, an increase of more than 70 percent over 1938. Estimated peak demand for the same period is put at 11,680,000 kw, and the gap is thus about 1,130,000 kw, but demand is estimated to be increasing steadily at a rate of about 700,000 kw a year. To meet this requirement, which will be maintained if not intensified by the four-year productivity drive, the largest single investment program in Britain is being devoted to the rehabilitation and expansion of generating and distributing stations and transmission lines. About $2 billions have been allocated to the program, which calls for the construction of 78 additional stations, of which 63 are at present under way on a high priority basis, and through which it is hoped to attain over 6 million kw of new capacity by 1953. In addition, six hydroelectric schemes are projected to provide Scotland with electricity.

Annual steps by which the deficiency for the national Grid is expected to be met are shown in the following table:

Electricity Generating Capacity
(Thousand kilowatts sent out)

Winter of	*Estimated Capacity available at Peak*	*Estimated Peak Demand*	*Surplus or Deficit*
1947-48	9,530	10,950	—1,420
1948-49	10,550	11,680	—1,130
1949-50	12,000	12,450	—450
1950-51	13,290	13,240	+50
1951-52	14,570	14,070	+500
1952-53	15,780	14,890	+890

In the interval before these expansions can be made effective the government is taking various steps to meet the existing electrical shortfall. The staggering of hours has been arranged, individual plants are cooperating by running their heavy power equipment in the "off peak" periods, and industrial production, where possible, is being held down in

areas suffering most from power shortages. Domestic consumption is being curtailed by raising the price of electricity to the consumer and by heavy purchase taxes on household electrical equipment. Appeals are also being made to power users to convert to gas whenever possible.

The program to expand the electricity production industry so vigorously is largely dependent, however, upon available supplies of steel and is also governed by the productive capacity of an industry with great opportunities for export. It is therefore by no means certain that the program will be pursued in its entirety once the more immediate shortages have been met.

e. Iron and Steel.

With the invention in 1856 of the Bessemer process, making possible cheap production on a large scale, Britain launched the modern steel age. In 1870, the United Kingdom accounted for almost 50 percent of world steel production. By 1886, however, US output had already overtaken that of Britain, and the Germans caught up in the 1890's. In 1913 German production was more than double and US more than four times that of the United Kingdom, which was then about 10 percent of world output. Nevertheless, at the beginning of World War II the United Kingdom was still the third largest steel producer in the world.

The four large steel-producing districts of the United Kingdom are situated upon the main coal fields and their accompanying deposits of iron ore. One is on the North-East coast, in the Newcastle area, with an ingot capacity of about three million tons and specializing in structural steel, shipbuilding materials, and rails; another in South Wales, in the Swansea area, with a capacity also of about three million tons and supplying the bulk of the United Kingdom's tin-plate; a third in West Scotland, in the Glasgow area, with a capacity of about two million tons, concentrating on heavy plates, sections and forgings for local shipbuilding and other heavy industry; and the fourth in the Midlands, in the Sheffield-Northamptonshire-Lancashire areas, with a combined capacity of some five million tons, manufacturing steel specialties such as wire, rods, and tubes. The steel ingot capacity of the industry in 1948 was originally estimated at 14 million ingot tons; final 1948 production was 14,877,000 tons.

The export of steel and its products has always been of prime importance to the British economy, but never more so than now when the world is starved for machinery and capital equipment. In spite of an insatiable domestic demand the level of export has been well maintained; it has been estimated that in 1948 steel and steel products accounted for 46 percent in value of the country's total record-breaking exports.

Ore from British deposits normally satisfies only about two-thirds of the needs of the iron and steel industry, thus necessitating large imports of ores chiefly from Sweden, Algeria, Spain, and Newfoundland. Manganese ore is also imported by the United Kingdom in considerable quantities, the chief sources of British supply being the Gold Coast, the Union of South Africa, and India and Pakistan. Comparative import figures, in thousands of tons, are listed below:

	1938	*1947*	*1948*
Gold Coast	13,991	190,129	238,541
Union of South Africa	1,015	44,130	70,143
India, Pakistan, etc.	172,441	34,014	85,627
Other British countries	...	...	6
Foreign countries	5,268	194	2,184
Total	192,715	268,467	396,501

Reserves and production of manganese ore appear to be sufficient for British needs; production in the African fields can be sharply increased with improved rail transportation and harbor facilities.

Before the war the United Kingdom also imported large quantities of semi-finished steel from Europe for re-rolling, as well as almost a million tons a year of scrap from the US. Since the war the supply of semi-finished steel is virtually non-existent, and domestic demand has caused the export of US scrap to cease. In consequence, the British steel industry is forced to rely upon domestic supplies and upon such imports of scrap as

can be extracted from Germany, the only present sizable source.

In spite of the difficulties experienced in obtaining these essential imports, the British steel industry is doing well. The total of ingot production in 1948 easily surpassed even the expanded production target; it was 19 percent greater than in 1947 and 12 percent more than in the previous peak year, 1939. Production for the first quarter of 1949 was at an annual rate of 15.2 million ingot tons; even this rate, however, was insufficient to meet either present requirements or estimated future demands, which are steadily rising, because of: (a) the increase in the substitution of steel for timber, notably in coal mines and railroad cars; (b) the large expansion in exports of engineering products; and (c) the great potential demands for steel on the part of the 4-year capital investment program. It is estimated that in the early 1950's the United Kingdom steel industry will be called upon to furnish, for home consumption and export, about 18¼ million ingot tons, of which about 16¼ million tons will be for home use, including the manufacture of goods for export. Of this total about 17½ million ingot tons will be domestic output, the balance being imported.

Since the war ended the British steel industry has embarked upon a major reequipment and development plan, the first steps of which are to cost about one billion dollars. Included in this figure is a continuous strip mill, valued at $70 millions, which is being obtained from the US and it will be located in South Wales. The program is designed (a) to modernize and expand the blast furnace capacity of the industry for a more economical use of fuel, also cutting down the dependence upon imported scrap by expanding the output of foundry pig-iron; and (b) to expand the heavy rolling-mill industry and modernize the light steel plants. It involves the building of 24 new blast furnaces, nearly 6 million tons of steel furnace capacity and a corresponding increase in rolling mill plant; in all, a gross expansion of about 50 percent in British iron and steel capacity spread over a period of about 8 years. The proposed program to 1953 is illustrated by the following statistics:

Actual weight 1,000 metric tons

	1935-39 Average	1947 Actual	1948-49 Program	1952-53 Program
Production of crude steel	11,437	12,684	14,987	17,020
Imports—crude and semi-finished steel	487	293	373	383
finished steel	486	105	544	317
Exports—crude and semi-finished	22	4	6	...
finished steel	1,411	996	1,185	1,580
Consumption of finished steel	7,444	9,630	11,032	11,860

The British iron and steel industry, comprising some 500 firms, is organized into 11 conferences, each representing the producers of a particular product or group of products. The conferences in turn are constituent members of the British Iron and Steel Federation, which was set up in 1934 to "supplement the advantages of private enterprise by the additional benefits which might be expected to flow from collective action, based on pooled information and centralized planning." Over the Federation was the Iron and Steel Board, set up by the government in 1946 to supervise development, regulate prices, and generally serve as a vehicle for the public direction of the industry. Owing to widespread resignations because of disagreement with the project of nationalization of the industry, the Board was wound up in September 1948 and its functions taken over by the Ministry of Supply.

In compliance with the Labor Party's election pledges of 1945 a bill before Parliament to nationalize the major segments of the iron and steel industry will probably become law in early 1950. What effect the uncertainty as to the industry's future ownership may have on current production and reorganization is difficult to judge; certainly no lag in production has yet become evident. Planning for the longer term modernization and expansion program may, however, be retarded.

Since steel availabilities bulk large in virtually every aspect of the long-term recovery program, the supply of steel represents a main limiting factor to the whole recovery effort. The modernization and expansion of the industry will take considerable time to show results. A great deal of the increase in steelmaking for 1948 was due to an uncommonly successful domestic scrap drive and to releases from government surpluses. Some falling-off in these sources of supply is to be expected in 1949, with a resultant increased dependence upon imported German scrap in the face of sharp purchasing competition from the US and other countries. Any marked falling-off in the supply of scrap could have a drastically adverse effect upon the steel program, with resultant repercussions on national economic recovery.

f. Non-ferrous Metals.

Tin was mined in Cornwall in very ancient times and later, during the Roman occupation, gold, lead, and copper were mined as well. Today the mining of non-ferrous metals in the United Kingdom is of minor importance, but the British smelting industry which treats imported ores is of great significance. As consumption of non-ferrous metals grew, the capacity of United Kingdom smelters was increased, and British capital attained control of important mineral deposits throughout the world to ensure sources of supply for the smelters. Tin is a notable example. Less than 1,000 tons are mined annually within the country, but roughly half of the world's production is controlled by British capital, chiefly through investments in Malaya, Siam, Nigeria, and a small interest in Bolivia. Normally tin concentrates are imported from Malaya, Nigeria, and Bolivia, and refined tin is imported from Malaya where British capital controls the smelting industry. The United Kingdom ranks second among nations in the smelting of tin (27,544 long tons in 1947) and second in consumption (34,584 long tons in 1947).

Domestic mine production of lead and zinc is insignificant. United Kingdom consumption of primary lead was about 180,000 metric tons in 1947 and of zinc, 225,000 metric tons. Smelter production of zinc from imported ores was 69,360 tons in 1947, which is not far from United Kingdom smelter capacity but the smelter output of primary lead in 1947 was only a few thousand tons, yet the lead smelter capacity is large. British capital apparently has found the establishment of lead smelters near the mines more profitable than shipping ores to the United Kingdom for treatment. About one-third of the world's mine output of lead and one-fourth of the zinc are controlled by British capital.

Smelter production of copper in the United Kingdom is small and British capital controls only a minor share of world mine output despite the United Kingdom consumption of about 360,000 metric tons in 1947.

The aluminum output of the United Kingdom was increased during the war to a peak of 56,557 metric tons in 1943; by 1947 it had fallen to 29,401 tons. The industry has high costs and is operating under government subsidy. Canada is the chief supplier of aluminum to the United Kingdom. Bauxite for the aluminum industry was mined at Antrim in Northern Ireland in the war years, reaching 107,924 tons in 1943, but no production was reported in 1947. Small quantities of other metals are recovered from foreign ores in smelting operations.

g. Textiles.

Though increased competition and the impact of wars and economic depressions have, since the turn of the century, combined to lose for British textiles their former predominance in world trade, they yet remain one of the main bulwarks of the national economy. The United Kingdom textile industries in 1948 exported goods to the value of $1,300 million, constituting almost one-fifth of the total visible exports of the country. About one-sixth of these textiles went to the US, Canada, and Argentina, another one-sixth to Western Europe, and over one-half to the sterling area. As there is no indigenous production of cotton in the United Kingdom and only a small growth of wool, virtually all raw materials for the industry must be imported. The main sources of raw cotton since the war have been Egypt and the Sudan, the US, South America, and India and Pakistan. Australia, New Zealand, and South Africa supply almost all of

the United Kingdom's raw wool requirements. Imports are of considerable volume, the 1948 figures being about 929 million pounds of raw cotton (1,207 million pounds in 1938), and about 675 million pounds of raw wool (881 million pounds in 1938).

The cotton and wool industries were deliberately concentrated during the war into nuclear mills, in order to release labor for munitions production. Efforts to get back into the industry of the workers thus dispersed have met with indifferent success, in spite of such incentives as wage increases and a shortened work week. Bitter memories of insecurity of employment, low pay, and unsatisfactory working conditions have rendered textile manufacture unpopular in Britain. As a result the industry is badly undermanned. Men and women employed in textiles as of the end of 1948 were 289,000 in the cotton and 187,000 in the wool industry, as compared with the 1939 figures of 320,000 and 210,000 respectively. It is estimated that at least 200,000 persons are needed for the efficient operation of the wool industry alone.

The British textile industry also suffers from past lack of maintenance and technological improvement. The machinery and buildings, as a result of prolonged periods of depressed conditions, are for the most part both badly outworn and out of date. In the wool industry, for instance, only 6 percent of the looms were automatic in 1946 as compared with 70 percent in the US; in cotton, the same percentage of automatic looms in Britain compared with 95 percent in the US. A particularly bad situation in British cotton manufacturing has arisen from decades of contracting world demand for its products, coupled with intense foreign competition. As a result the industry's effort in terms of looms and spindles in operation has virtually been halved, with a resultant lowering of morale on the part of management and labor alike. The industry is privately owned but it is realized that the task of rehabilitation and of getting idle machinery back to work is of such magnitude that governmental assistance on a large scale will be required. The government has, therefore, approved a plan whereby 25 percent of the cost of modernization will be state subsidized, provided spinning mills are grouped in units of 500,000 spindles and double shift working is adopted. The cost of the subsidy is estimated at about $40 millions if the entire industry qualifies for the grant. By this means it is hoped that a 30 percent change-over to new cotton spindles will be reached by 1952. In the cotton weaving industry it is planned also to install about 30,000 more automatic looms before 1952, increasing the production of woven cotton by 35-40 percent over 1947 and the export of cotton goods in general by 80 percent. In the interval and before these reforms can be achieved, efforts are being made to increase the productivity of the plants by reorganizations and to improve the morale and hence the productivity of workers by means of a better type of wage piece rate.

The problems of the British wool industry are much the same as those of cotton except that high quality products, which are a specialty of the trade, do not encounter such competitive difficulties as are found in the case of cotton. To this extent, therefore, the industry may be said to be in better long-term position. It is planned to increase exports of woolen goods by 1952 up to 60-80 percent over 1947.

In spite of all handicaps, however, the textile industry made some progress in 1948, showing an over-all advance over 1947 of between 15 percent and 20 percent; cotton products increasing by 20 percent and woolen goods by 18 percent.

The linen and hemp industry of the United Kingdom is confined to North Ireland and has long been an important element of the British textile trade. Before the war, about $36 millions worth of these goods were exported annually, about 1/10th of all textile exports and 1/40th of all manufactured goods. The bulk of the flax used in the industry must be imported, and largely owing to a sharp diminution of the world's flax acreage to about 60 percent of prewar and a world output of 343,000 tons as compared with 784,000 tons in 1938, both production and export of British linen and hemp have fallen off. This is disturbingly reflected in the diminishing export earnings from the US markets, which have dropped from an approximate $16 millions in

1946 to an estimated annual rate of $12 millions for 1948. The situation is considered so serious that Belfast has been specially urged to greater production, reduced prices of finished products, and increased local production of flax. However, farmers in Northern Ireland and Ireland have increasingly turned to the growing of other crops, which are more easily raised and more profitable, flax being one of the poorest paying crops on the farm. If the price paid to growers were raised, flax acreage would increase, but it is difficult to see how the price of flax can be raised and yet the cost of linen be reduced.

Great reliance is being placed on the future of the synthetic fibre industries which, in contrast to cotton and wool, are relatively new, exceedingly vigorous, and have been expanding rapidly. Rayon output is expected to increase to some 200,000 tons in 1953, which should make the United Kingdom almost entirely independent of imports of industrial yarns from dollar areas. Plans are also in hand for developing new synthetics such as terylene, which is highly resistant to chemicals and moisture, and ardil made from the residue of peanuts.

General postwar conditions resulting in widespread demand for textiles, together with the complete collapse of Germany and Japan as commercial rivals, have presented Britain with a golden opportunity to regain something of its former position in the textile field generally and particularly in that of cotton. The immediate problem of the industry is to turn out a sufficiency of yarn and cloth to meet this demand. In its attempt to achieve this aim, however, the industry faces many difficulties. The rate of labor recruitment must be much accelerated to reach the required 525,000, and greater efforts made to increase the popularity of the industry for the future. The supply of machinery necessary to the renovation of the home industry is also handicapped by steel shortages and by the demands of the export program, which claim about 80 percent of new textile machinery manufactured in the United Kingdom. An extra burden thrust upon the industry since the war is that of increasing cost. Prices of cotton from Egypt, at present the major source of supply, as one example, increased by about 100 percent within the year June 1947–1948.

h. Engineering.

The manufacture of machinery has traditionally been a specialty of the British who produce a wide variety of types, including agricultural, textile, and electrical machinery; prime movers; boilers and boiler-house plant; machine tools; cranes, hoists, and other lifting machinery; also a wide range of vehicular manufactures, including automobiles and trucks, locomotives, and railroad cars.

Conditions in the British engineering industry in the inter-war years were on the whole static. The relative depression suffered in the 1920's by the older industries, machinery and prime movers employing coal and steam, textile machinery, etc., was offset by the solidity of the domestic market and the expansion of the relatively new lines such as electrical machinery and automobiles. This condition of comparative economic health, with the expansion and activity of the Second World War years, has resulted in less depreciation than that experienced by other basic British industries. The degree of postwar recovery has been encouraging; 1947 showed an increase by volume of mechanical and engineering production of 37 percent above 1938 and in tools and implements of 40 percent over 1938. The industry enjoys a sufficiency of manpower but is suffering gravely from the universal shortages of steel and energy, both coal and electricity.

Engineering products are directly involved in virtually every phase of the British recovery effort. Besides assisting in the mechanization of home agriculture and the rehabilitation of the domestic industrial and public utility plants, machinery is one of the groups upon which the export drive depends. In mid-1948, 36 percent of all United Kingdom machinery production was exported, as compared with 28.5 percent in 1938. Exports of all engineering products at the end of 1948 are over twice the level of 1938 and account for about 40 percent of the United Kingdom's total visible exports. Increases of exports of various types of machinery and engineering products, with the exception of motor vehicles, are shown in

the following table; monthly averages in thousand of tons:

	1938	1947	1948
Agricultural machinery	1.5	4.8	11.8
Boiler & boiler plants	4.7	6.6	5.4
Cranes & hoists	1.6	3.2	3.6
Electrical machinery	3.7	5.8	6.2
Machine tools (metal working)	2.0	4.5	4.3
Prime movers (not electrical)	2.4	3.6	4.6
Textile machinery	5.9	6.8	9.2
Railway locomotives	2.0	3.2	3.4
Railway wagons	3.7	5.5	6.7

motor vehicles has increased from 15-20 percent prewar to 70 percent in 1948 when they were the largest individual export item of the United Kingdom, with an earned overseas currency total of £146 million (584 million). The main overseas markets for British motor vehicles since the war have been (in the order of their 1948 importance) Australia, US, Belgium, South Africa, India, Canada, New Zealand, and Portugal. Increased exports since the war are shown in the following table:

	(Volume in Thousand units)				(Value in £ million)			
	1938		1946		1947		1948*	
	Vol	Val	Vol	Val	Vol	Val	Vol	Val
Australia	3.1	0.3	15.1	2.1	19.2	3.5	24.6	8.1
USA	..	..	1.1	0.2	1.1	0.3	21.0	4.9
Belgium	0.5	0.1	3.8	1.0	12.2	3.5	17.0	4.8
South Africa	3.5	0.6	4.9	1.3	9.5	2.5	16.7	4.7
India	2.9	0.4	5.5	1.4	11.2	3.2	13.9	3.7
Canada	0.6	0.5	0.7	0.2	1.9	0.5	12.2	2.9
New Zealand	13.3	1.6	7.7	1.6	14.3	3.4	9.2	2.4
Portugal	0.6	0.1	2.3	0.6	4.5	1.3	7.1	1.9
Total	24.5	3.6	41.1	8.2	74.9	18.3	121.7	33.4

* Volume and Value for 1948 estimated on basis of 9 months' figures.

It was anticipated that, by the end of 1948, the exports of the engineering industry should attain a volume of 230 percent of 1938. Imports of machinery are rigidly controlled, being permitted only if the potential user can justify his requirement. In 1948–49, however, licensed import requirements are expected to amount to about $175 millions, of which about $140 millions represents dollar expenditure. It is anticipated that this constitutes a peak and that a steady decline in import requirements will take place in the future.

The performance of the motor vehicles industry in the export drive is particularly notable, being in the second quarter of 1948 265 percent in volume above the 1938 level and in excess of the end-1948 target of 263 percent. This thriving industry, which is just 50 years old in 1948 and is the fourth largest in the country, is concentrated chiefly in the Midlands; it consists of about 50 firms of varying sizes with a combined annual capacity of between 700,000 and 750,000 units and employing about 175,000 operatives. Production of passenger cars in 1948 was 328,000 and of commercial vehicles 170,000. The exported proportion of the total annual production of

The success of the export program of the motor vehicles industry, like so much else in postwar Britain, is linked to steel. The industry is allocated about 4 percent of the national steel production as compared with an annual prewar consumption of 7 percent. Although the world demand for motor vehicles is still far from satisfied, the British motor industry will probably encounter increased foreign competition and the handicap of mounting domestic costs of production, and it is unlikely to hold to its present height of 70 percent of total production consigned for export. The US and Canadian markets are particularly vulnerable as domestic production begins to meet home demand; however, an encouraging foothold has been gained and the British will undoubtedly take every effort to hold such lucrative markets.

Engineering is counted upon to play a major role in the modernization and expansion of British industry in general and in the mechanization of agriculture in particular. Output of tractors in 1948 was 117,000, of which 50,000 were for export, as compared with 58,000 produced in 1947 and 10,000 prewar. Combine harvesters, at an annual rate of over 1,000,

have nearly tripled the production of 1947, while potato spinners and milking machines, with production rates of nearly 7,750 and 10,400 respectively, were both nearly half as big again as in 1947. To meet internal demands and also to provide the equipment with which the expanded national export targets can be met, a capital investment in the industry of $2,600 millions is planned for 1949–50. Besides filling the demands of the domestic program, the engineering industry is being asked to maintain and in some cases to expand its volume of export. Demand, both foreign and domestic, for machinery and capital equipment is such that, given adequate supplies of steel and fuel, the engineering industry should be able to meet its requirements. Increasing costs of producing and resurgent foreign competition may, however, cause difficulties in maintaining the export targets.

i. Chemicals.

Britain is now the world's second chemical producing country (the US being the first), having supplanted Germany during World War II. The industry possesses, in its more modern aspects, highly efficient producing units, a large corps of skilled labor, and abundant potential resources of coal. It is dominated by the Imperial Chemical Industries, by far the largest organization in the field, which with numerous subsidiaries abroad participates in a number of cartels. ICI exchanges process rights with Dupont de Nemours.

Chemicals constitute one of the major exports, being third in value after machinery and vehicles. Advances both in value and volume of exports have been impressive; from $89 millions in 1938 to $336 millions in 1948 and in volume to 57 percent above 1938. By 1952 it is hoped that the volume will be some 90 percent above 1938. In the prewar period, the British chemical industry, through cartel agreements, sought to maintain the United Kingdom, the Dominions and the Colonial markets as its exclusive preserve, and succeeded at the price of virtually excluding itself from American and European markets. Since the war the British have retained this pattern of trade; about 69 percent of all British chemical exports are directed to these traditional markets. As domestic production increases, however, it is to be expected that efforts will be made to invade the European fields vacated by the collapse of the German chemical industry.

With a few exceptions, such as coal, salt, and limestone, the United Kingdom chemical industry is dependent upon imports for all raw materials, and particularly for sulphur and pyrites (the raw materials for sulphuric acid), phosphate rock, potash, and carbon black. Large amounts of organic chemicals, molasses (from which the United Kingdom produces much of its industrial alcohol requirements), solvents, alcohols, and a wide variety of oil derivatives have in the past been imported from North America, as well as materials for the expanding plastics industry, the resultant costs averaging over $60 million a year. In addition, about 5 percent of specialized dyestuffs required by British industry have been imported, principally from the continent of Europe.

Britain has undertaken an ambitious plan to increase production in nearly all branches of the industry; organic chemicals, plastic materials, dyestuffs, and basic chemicals (particularly alkalis). Output of plastics by 1952 is expected to be three times that of 1938. Production of dyestuffs will be about 30 percent and of soda ash about 40 percent above 1947. Prospective production of nitrogenous fertilizer, of which the United Kingdom is the third largest supplier, is to be sufficient for the increased home demands of the agricultural expansion program and will also leave a surplus for the maintenance of the lucrative and long-established export trades to the Commonwealth and the Far East. The United Kingdom is one of the two countries which are on an export basis for nitrogen, of which there is a world shortage. An increase in the production of superphosphates is planned. It is also hoped that the proposed expansion of domestic oil refinery will lead to the development of a thriving petroleum chemical industry in the United Kingdom, and plants are already under construction. By these means, it is expected that, in 1952, virtually all chemical imports can be eliminated and exports sharply expanded.

The cost of these developments is expected to be in the neighborhood of $800 millions. The success of the plan, like that of the majority of Britain's anticipated expansion projects, appears to depend upon adequate supplies of fuel and of constructional steel.

j. Shipbuilding.

Britain has led the world in the construction of ships except for brief periods during the two wars, when its position was taken by the US, and in 1937 and 1938, when its portion of the total world's shipbuilding fell to 34 percent. In 1948 the United Kingdom accounted for nearly 55 percent of the world's production of merchant ships. British shipbuilding labor is exceptionally skilled, and, before the war, produced the highest weight of hull structure per man in the world. The shipbuilding plant is concentrated on the Firth of Clyde in Scotland, on the Mersey and Tyne estuaries in northern England, and at Belfast in northern Ireland. Because of technical improvements and rationalized organization of yards the annual capacity of the industry is now estimated to be about 3 million d.w. tons, about one-third more than in 1939.

At the beginning of 1948 British yards had in hand a greater volume of work than at any time in the past quarter century. Vessels on the ways, being fitted out, or on order aggregated approximately three and three-quarter million gross tons, requiring at the present rate of production more than three years' work. When this program is completed Britain's wartime losses of about two million gross tons will have been more than made good. Because of persistent shortages of steel, which represents about 80 percent of the materials used in shipbuilding, and lack of timber, the industry is operating at about 65 percent of capacity. Once the load of wartime repairs and reconversions is lightened and greater supplies of timber and steel are available, this rate of production could be quickly increased. Emphasis of present construction is on tankers to carry Britain's expanding oil trade, as well as to fill large numbers of orders for foreign account; the British tanker fleet at the end of 1952 should be 6,300,000 gross tons. There is also a marked increase in motor ships at the expense of steamers, a technological improvement neglect of which contributed heavily to the decline of British shipping before the war. The construction program, which is limited more by the availability of steel than by the capacity of the yards, will require an investment by the shipbuilding industry of between $200 and $250 millions a year to 1952.

The main threat to the attainment of anticipated targets and to the future of British shipbuilding in general, apart from the continuing steel shortages, lies in the probable foreign competition, chiefly from Scandinavia, the Netherlands, and Italy. In the face of this challenge, the high cost of British shipbuilding, estimated at from two and one-half to three and one-half times prewar, will prove an increasing handicap. A longer term problem is posed by the possibility of a large surplus capacity in the industry in the early 1950's, when total world requirements for new ship construction have been estimated as slightly less than 2,500,000 tons per year.

k. Building and Construction.

During World War II about 4½ million of the 1939 total of 13 million houses in Britain were damaged or destroyed by enemy action. Of this impressive total about 460,000 were either totally destroyed or rendered uninhabitable. Total physical destruction in the United Kingdom is estimated at about $6,800 millions. More serious even than war damage, however, was the virtual cessation of building during the war years and the reduction to a minimum of normal repair and maintenance work. The number of houses completed in 6 war years did not exceed 200,000, of which 36,000 were in Scotland, as compared with a 1938 rate of construction of 346,000 houses in England and Wales and 26,000 in Scotland. At the end of the war the immediate housing needs in Britain were estimated at 1¼ millions, of which 750,000 were required to give separate homes to such families as needed them and the remaining half million to replace the worst of substandard housing.

Since the end of the war the Ministry of Health has been conducting a vigorous building program. In view of the serious shortage and its hampering effect on the mobility of

labor the governmental policy has been to concentrate upon the building of houses to let at reasonable rents for families in the greatest need. All new construction and repair work is under government license. Local authorities are the main instruments of carrying out the program, operating through private contractors. In order to stimulate construction, and to keep costs low, the Treasury subsidizes the local authorities; a special subsidy is granted in the case of new houses intended for agricultural workers. Local authorities have an allocation as to the number of houses that can be built in their areas and, to prevent speculation, only one house out of every four may be allocated to a private builder.

Although the building industry has not suffered from lack of manpower, there being some 540,000 men employed in mid-1948 as compared with a prewar figure of 350,000, there have been serious and chronic shortages of material, notably in timber (virtually all imported), in fabricated steel and in clay products. In spite of these difficulties, however, the original short-term target of 750,000 new houses by the end of 1948 was more than attained, and it is proposed to continue a rate of construction of about 200,000 units a year until arrears are made up. Within this program preference will be given to construction in agricultural and mining areas to facilitate recruitment; the housing needs of such industries as steel and chemicals, which are scheduled for wide expansion, will also be considered. Under the terms of the Town and Country Planning Act of 1944, which confers upon local authorities the right to buy certain areas as desired, and to pay compensation on the basis of 1939 values, the government is also hoping to rebuild whole communities in an hygienic and economic fashion, whereby slums may be eliminated and populations relocated where necessary.

Damage done to industrial establishments was also extensive, necessitating widespread repairs, as well as the construction of new factories. Since one of the aims of the Labor Government is a balanced distribution of industry, these new factories, whenever possible, are being erected in what were the so-called "Depressed Areas" of Britain. These areas were often devoted to only one industry and thus were peculiarly susceptible to trade depressions. In South Wales, Northeast England, and part of Scotland the government has offered private owners many inducements to build new and diversified plants, authority to this effect having been given by Parliament in the Distribution of Industries Act of 1945. The Development Areas, as they are now called, with about one-fifth of the total population, have been allocated about three-fourths of the new factories. These new factories are expected ultimately to provide work for some 219,000 people and to cost about $240 millions, of which about one-half is represented by government-financed building.

7. Finance.

a. Currency and Banking.

The Bank of England, which was established by Royal Charter in 1694, is the central bank of the country. On behalf of the government it manages the National Debt, administers the Exchange Control Regulations, and manages the Note Issue, the profits of the last named being paid to the Treasury. It is also the banker of all British banks and most overseas central banks; but it no longer undertakes new commercial business.

The Bank of England was nationalized on 1 March 1946 and the capital stock is now held by the Treasury, the former owners of the bank's stock being paid £58.2 millions. Few changes in the operating practices of the bank have been made and the previous harmonious relations with the Treasury are continued. The Board of Directors, however, which operates under a Governor and is appointed from a wide field of representatives of finance and industry, has been reduced in number from 24 to 16. Under the new law, the government has gained greater direct control over credit. The Bank of England has been given statutory powers to request information and make recommendations to other banks if this seems necessary in the public interest, and if authorized by the Treasury, to issue directions to ensure that such requests are met and its recommendations complied with. Thus, while only the Bank of England has been nationalized, an additional degree of public control

can be exercised over the whole banking system if circumstances require it. One innovation introduced under nationalization is the publication of an annual statement in addition to the weekly statements published heretofore.

Commercial banking in England is in the hands of the so-called Big Five, a group of private banks which covers the country through an extensive branch banking system, a characteristic of English and Scottish banking which is in contrast to the prevalent practice in the US. The commercial banking system of Scotland consists essentially of eight banks of roughly equivalent size and influence, all with branch offices throughout the country. In British banking the elaborate regulatory structure existing in the US is altogether lacking. No fixed proportion of deposits is required to be kept on deposit with the Bank of England. In practice, British banks keep an amount on deposit with the Bank of England dictated solely by prudence and experience. As a consequence, there is no control of credit by the manipulation of reserve requirements.

Britain's great productive capacity, export markets, imports of raw materials and foodstuffs from all corners of the world resulted in the early development of a banking system specializing in overseas transactions in the form of capital investments throughout the world and the financing of foreign trade. London was for generations the world's money market, its international clearing house, and the main source of capital not only for the Empire but for the rest of the world. Many countries of the world have pegged their currencies to sterling, conduct much of their foreign trade in sterling, and hold a large portion of their monetary reserves in sterling. This voluntary and informal grouping of countries whose trade is conducted mainly in sterling and whose financial ties to sterling are strong was known in the early 1930's and until the outbreak of World War II as the sterling bloc. After the outbreak of hostilities in Europe in 1939 the sterling bloc became a more formal association necessitated by the war, and its membership consequently changed. Many features of the sterling bloc remained as characteristics of the wartime sterling area—the close commercial ties, the prewar pegging of currencies to sterling, the sterling balances held in London, and the common reserve.

The main points of difference between the prewar sterling bloc and the wartime sterling area were the formal definition of membership, limited membership, the system of strict exchange control, the limited convertibility of sterling, and the special arrangements controlling the financial relationship between the sterling and the non-sterling countries. The sterling area operated, in fact, as a single financial unit for exchange control purposes. London acted as a single clearing house through which member countries conducted their business. An exchange pool, often called the "dollar pool," was maintained in London. Member countries paid in specified currencies, particularly dollars, to this pool, receiving sterling in return. Essential purchases from outside the sterling area were financed by drawing from the pool.

The present sterling area has some characteristics of the prewar bloc, some which were carried over from the wartime sterling area, and some which reflect postwar commercial and financial difficulties. Characteristics of the present sterling system are: (1) the basic close commercial and financial ties within it, including the holding of monetary reserves in sterling, and the close relationship of currencies of sterling area countries to the pound sterling; (2) the coordinated system of import and exchange controls, the limited foreign exchange resources, the large sterling balances held by sterling area countries, and the special arrangements controlling the financial relationship between sterling and non-sterling countries, including contribution to the dollar pool, which are the results mainly of war and postwar conditions. Since the countries of the sterling area, with the exception of the Union of South Africa, hold very little gold, their sterling assets form the bulk of their currency reserve and London is their main

source of gold and foreign exchange requirements.*

The central gold and dollar reserves of the sterling area (excluding reserves held separately by individual countries which are negligible except for those of South Africa) were reported by the Treasury as of 13 January 1949 to be £457 millions, as compared with £864 millions at the end of August 1938. The addition, however, of some £90 millions of ECA aid, allocated but not yet transferred as of that date would make the effective reserves £547 millions, a figure slightly above the announced irreducible minimum of £500 million.**

Although the British Government financed about 55 percent of its war effort by taxation and non-inflationary borrowing, the tremendous increase in expenditures of the government caused a large inflationary expansion in incomes. A doubling of bank deposits and a great expansion of small savings left the economy at the end of the war with a huge increase of purchasing power. Average monthly deposits in the British clearing banks rose from £2,277 millions in 1938 to £5,650 millions in 1947. In October 1948 they passed £6 billions for the first time in their history. In addition, a continued state of full employment, coupled with ambitious export and capital programs, caused an excess of currently-generated consumer purchasing power. Money in circulation increased steadily from £635 millions in 1938 to £1,519 millions in 1945 and to £1,682 millions in 1947.

The increase of money in circulation in 1947, however, to about 2½ times the 1938 figure compares favorably with the increases of some of the other nations which experienced the war; Belgium to 3½ times 1938, Norway and the US about 5 times each, and France almost 9 times 1938.* Rigorous control over prices, a rigidly enforced system of rationing, and allocation of raw materials prevented a runaway inflation although they did not avert eventual price rises and a constant pressure upon the control mechanism. The index of wholesale prices (1938=100), annual average rose to 166.7 in 1945, 189.1 in 1947, and 216.2 in 1948. By the use of subsidies the government succeeded in holding the advance in retail prices of food to 8 percent to the end of 1948 and kept the level of rentals stationary, but the over-all index of retail prices for December 1948 showed an advance of 5 points over December as compared with 1947, with an increase of 4 points in wages over the same period.

The government's close preoccupation with the inflationary problem is reflected in the fiscal policy of Sir Stafford Cripps, which also demonstrates the close integration of fiscal measures with the wider economic situation. Britain's worst problems are those of the adverse balance of payments; an injudicious monetary policy would permit inflationary pressures to drive up the price of British goods which, in turn, would have an adverse effect on overseas markets and cut down the level of exports. The main purpose, therefore, of the government's fiscal program is to "create a real and substantial surplus which more than provides for all governmental expenditures, capital and current, and leaves over a balance to be used to counter the inflationary pressure." The surplus is to be gained chiefly from tax revenues (which have the added advantage of withdrawing additional purchasing power from the public), a decrease in ordinary expenditure, and a tapering off of extraordinary postwar expenditure. A unique feature of the 1948–49 budget was the tax on 1947–48 income from investments which, in the case of the higher income brackets, amounted to a disguised capital levy. In order to encourage greater production on the part of wage earners there has been a moderate shifting of the tax burden from direct taxation, chiefly

* Members of the Sterling Area, as defined by the United Kingdom Treasury are: the United Kingdom, Eire, Australia, New Zealand, India, Pakistan, the Union of South Africa, Ceylon, Southern Rhodesia, British dependent territories, protectorates, and protected states; and the non-British countries of Burma, Iraq, Iceland, Kuwait, and the State of Bahrein.

** At the end of September 1949, the gold and dollar reserves had fallen to £351 million.

* An analysis of the effects of the velocity of circulation is not attempted in this report.

derived from income taxes, to indirect, mainly customs and excises. An important element of the annual expenditures, both because of its size (£485 millions in 1948–49) and purpose, is the food subsidy. The expenditures on subsidies are defended by the government on the ground that they prevent inflation by restraining the demand for increased personal income to meet the increased cost of living that would otherwise arise. The government's hopes of attaining its desired budgetary surplus were jeopardized by the possibly increasing expenditures of the rearmament program, which was initiated in September 1948; by the costs of the government-sponsored health services, which are running higher than anticipated; and by the increased costs of the food subsidies. Nevertheless, revenues likewise exceeded expectations and the 1948 surplus was achieved.

The net National Debt of the United Kingdom in 1948 is estimated at nearly £26 billions, down about £10 millions from 1947. The debt amounts to about £500 per head of population and calls for an annual service charge of about £500 million. The external or foreign portion of the National Debt is estimated at £1,556 million for 1948, which includes the US Loan of 1946 of $3,750 million, Canadian Loans and Credits of about $1,500 million, and the South African Gold Loan of an amount equivalent to $320 million. An added external obligation of the United Kingdom consists of the Sterling balances, accumulated during the war period from sales of goods and services to the British and from the sale of dollars and other currencies contributed to the foreign exchange pool by members of the sterling area. They were estimated in December 1947 to amount to some £3,675 millions, having advanced to this figure from £250 millions, prewar; of this total India and Pakistan alone hold over £1,000 millions. It is the contention of the United Kingdom that these balances represent a joint contribution to the war effort and as such should be liberally scaled down, if not written off entirely. This view, however, is not shared by the creditor nations. Pending a final settlement of the matter, as stipulated under the terms of the Anglo-American Loan Agreement of 1946, the United Kingdom has frozen many of the larger balances in special accounts, although releases of certain portions of them for current expenditures are mutually agreed upon from time to time.

b. The Balance of Payments.

The supreme problem of British postwar economic planning is to restore the balance of payments to such a position that the standard of living can be maintained without borrowing from other countries. So central is this problem that the degree to which it has been solved has been accepted as a rough indication of the degree to which postwar recovery has been achieved.

The importance of the balance of payments to Britain arises from the nature of the British economy, which, as has been described above, depends to a very great degree upon international trade in the absence of an abundance of natural resources at home. For many years the United Kingdom, as an international creditor, had shown deficits on balance of merchandise trade; these deficits had been more than made up by income derived from foreign investments as well as from the earnings of shipping, banking, and other services. Some of these surpluses were customarily invested overseas, and swelled the annual returns of

income. The rise and decline of Britain's annual balances of payments are shown in the following table: ($ millions).

Period	*Merchandise Trade* (balance) (—)	*Invisibles* (Service & Investment Income) (+)	*Balance*
1870-74	244.8	488.0	243.2
1875-80	482.8	498.0	15.2
1881-85	414.0	533.6	119.6
1886-90	373.2	656.8	283.6
1891-99	595.2	719.2	124.0
1900-04	747.6	832.8	85.2
1905-09	622.0	1060.0	438.0
1910	636.0	1248.0	612.0
1913	632.0	1356.0	724.0
1938	1208.0	928.0	— 280.0 (deficit)
1946	816.0	—704.0 (deficit)	—1520.0 (deficit)
1947	1764.0	—756.0 (deficit)	—2520.0 (deficit)
1948*	872.0	392.0	— 480.0 (deficit)

(—) =deficit
* Provisional

At the conclusion of World War II and the termination of Lend-Lease the United Kingdom faced a crisis in its balance-of-payments position. The acute postwar food shortage was much intensified in 1947 by the failure of the European crops which forced world prices to unprecedented levels. As the world's greatest food importing country the United Kingdom was the chief sufferer and by mid-1947 the average f.o.b. price of imports was about 30 percent higher than at mid-1945. This universal food shortage, outside of the American continent and particularly in Europe, intensified the world shortage of dollars and the difficulty of husbanding dollar reserves. Also the expansion of British production and exports, which had been most encouraging in 1946, was sharply checked by the fuel shortage brought on by the winter of 1946-47, which was the worst within living memory. To meet these accumulated emergencies, the United Kingdom, had, in addition to a reduced earning capacity in visible exports, a greatly diminished income from overseas investments and such invisible exports as shipping and banking services. An additional postwar strain was the large increase in governmental expenditure abroad on such responsibilities as occupation troops, etc.; the amount in 1947 was $944 million, having advanced to this figure from $724 million in 1946 as contrasted with $64 million in 1938.

The efforts of the US and Canada to help Britain meet the immediate postwar crisis by means of loans aggregating $5 billions were only partially successful and were achieved only at the price of the premature exhaustion of the loan. The United Kingdom's deficit on current account for 1947 was £630 million, an equivalent of $2,520 million. Assisted by ECA aid and due to the great efforts and self-denial of the British people themselves in holding down imports and expanding exports a remarkable recovery in the balance of payments for 1948 was achieved. The adverse balance for 1948 as a whole was £120 million, and for the last six months a small surplus of £30 million was developed. Even so the United Kingdom cannot yet pay for its purchases from the Western Hemisphere by earnings from there, either by means of direct exports or through triangular trade. The dollar deficit, while encouraging as compared with the £655 million of 1947, was still large at £186 million for the first half and £125 million for the second half of 1948. This deficit was met in part by ECA aid which

amounted to $1,263 million gross for the fiscal year 1948/49. It must be noted, in this connection, that the United Kingdom in the fiscal year 1948/49, under the European payments scheme, made available to other participating countries drawing rights in sterling to an equivalent of $312 million gross. In view of these circumstances it is apparent that the United Kingdom is now "paying its way" in the world generally, but that, nevertheless, the continuing dollar deficit constitutes the gravest problem faced by the British economy.*

the British considerable bargaining power in international economic negotiations.

The major class of UK imports is that group comprising food, drink, and tobacco, which in 1948 accounted for 42 percent of the total imports, a decline from the prewar figure of 47 percent which reflects the British program of austerity and efforts towards self-sufficiency in food. The group comprising raw materials (which includes such items as timber, raw cotton and wool, paper-making materials, rubber, and non-ferrous ores and scrap), on

Balance of Payments on Current Account (£ *million*)

	1938	1947	1948 Jan.-June	1948 July-Dec. Provisional
Payments:				
Imports (f.o.b.)				
(a) Food and feedingstuffs	...	719	421	390
(b) Animals and seeds	...	26	11	14
(c) Raw materials	...	517	303	311
(d) Tobacco	...	30	18	21
(e) Petroleum	...	78	62	61
(f) Machinery and vehicles	...	87	29	23
(g) Other imports	...	84	52	52
Total	835	1,541	896	872
Receipts:				
Exports and Re-exports (f.o.b.)	533	1,100	730	820
Invisibles (net)	+232	— 189	+ 16	+ 82
Surplus (+) or Deficit (—) on Current Account	— 70	— 630	—150	+ 30

8. International Trade.

Lack of natural resources in the islands has obliged the United Kingdom to import from abroad a significant part of the food and a major part of the raw materials necessary to the sustenance and livelihood of its population. The cost of these imports is met by the earnings of British exports, both visible and invisible. A large and diversified overseas trade, therefore, is of the first importance, not only to the British themselves, but also to Britain's many trading partners. Britain's 1938 imports amounted to about 18 percent of the world's total and exports to about 12 percent; corresponding figures for 1948 were 15 percent and 13 percent. The size and significance of the UK market gives the other hand, has risen from 27 percent of the prewar total to 33 percent in 1948. The remaining 25 percent in 1948 consisted almost wholly of machinery and processed materials for industry. Value of 1948 imports was £2,080 millions, over twice the 1938 figure of £919 millions and £285 millions more than the 1947 figure. Inasmuch as the volumes of 1947 and 1948 imports, however, were only 78 percent and 81 percent respectively of 1938, these increases in total value are due almost entirely to price increases.

The chief export of the United Kingdom remains manufactured goods; these have advanced from 77.6 percent of the total in 1938 to 86.8 percent in the fourth quarter of 1948, of which metal manufactures were 48.0 percent, textiles 21.0 percent and other manufactures 17.8 percent. The most important changes in exports between 1938 and 1948

* For a later view of the situation see ORE 79-49 "US Security and the British Dollar Problem" (Confidential), 31 August 1949.

have been the increase in machinery and the decrease in coal.

Description	*Percent of Total Exports*		
	1938	*1947*	*1948*
Machinery	12.3	15.9	16.0
Vehicles (including locomotives, ships, and aircraft)	9.5	14.8	15.4
Cotton yarns and manufactures	10.6	6.8	8.3
Iron and steel and manufactures thereof	8.9	7.4	6.7
Woolen and worsted yarn and manufactures	5.7	5.1	6.0
Miscellaneous articles wholly or mainly manufactured	6.1	6.1	5.7
Chemicals, drugs, dyes, and colors	4.7	5.9	5.3
Electrical goods and apparatus	2.9	4.3	4.6
Coal	7.9	0.2	2.5
Other metals	4.4	6.6	6.1
Other textiles	5.2	7.9	6.2
Other manufactures	7.3	7.1	6.7
All others	14.5	11.9	10.5
	100.0	100.0	100.0

Principal markets for some of the important export groups above were as follows:

Machinery	India, Pakistan, Australia
Passenger cars	Australia, United States
Iron and steel	Union of South Africa, Australia, Argentina, Iran
Cotton textiles	British West Africa, Australia
Woolen textiles	Canada, Union of South Africa, United States

There was a marked increase over 1947 in exports to the US of machinery, passenger cars, and textiles. The total value of the United Kingdom exports and re-exports in 1948 was £1,648 millions as compared with £532 millions in 1938 and £1,198 millions in 1947. Export volume in 1948 was at a rate of 136 percent of 1938, as compared with a rate of about 109 percent for 1947.

The efforts of the British to balance their overseas trade are seen in the ratio of exports to imports, which has increased from 58 percent in 1937 to 79 percent in 1948. Nevertheless, the amount of the adverse balance in 1948 (£432 million) was not substantially reduced from the 1937 level (£446 million), because of the larger totals involved, reflecting higher prices.

The factor in the trade position which is most difficult to control is that of the terms of trade, that is, the relation between import and export prices, which, for Britain, amounts to the relation between primary commodity prices and the prices obtainable for manufactured goods. The rise in primary commodity prices during the last decade has outstripped the rise in prices of manufactured goods. As prices turn down, the customary lag of prices of manufactured goods behind primary commodity prices will tend to alleviate the "terms of trade" problem. On the other hand, competition developing among British, American, German, and Japanese manufactured goods will have a depressing effect on British export prices.

The United Kingdom is hoping to narrow the adverse balance of trade in 1949-50 by advancing the year's volume of exports to 155 percent of 1938 and holding imports to 83 percent of 1938. The import program calls for a larger proportion of industrial raw materials and a smaller proportion of food. Consumer living standards in Britain will be raised only slightly, and then only if warranted by increases in domestic production. The United Kingdom first estimated its ERP needs for the year 1949-50 at $940 million (76 percent of the 1948-49 allocation) to meet the dollar deficit still remaining.

a. Pattern of Trade.

The overseas trade of the United Kingdom is very widely diversified, extending to virtually every country and quarter of the globe. Imports in 1938 were fairly evenly divided between the Western Hemisphere, accounting for 32 percent of the total, the sterling area 31 percent, Western Europe 23 percent and other countries 14 percent. Exports were predominantly to the sterling area, which received about 48 percent of the total. Before the war, the United Kingdom normally incurred deficits with the Western Hemisphere and Europe which were offset by net foreign exchange earnings with the rest of the world, gained by invisibles rather than trade surpluses. Its ability to maintain this position depended upon the existence of a general pattern of multilateral payments throughout the world.

The 1938 pattern of import trade was badly distorted by World War II, which led to an unhealthy dependence upon imports from the Western Hemisphere. While the proportion

of imports from the sterling area for 1947 was sustained as compared with 1938, that of imports from Western Europe was down about 30 percent and the percentage of imports from the rest of the world was virtually halved. In the latter connection, trade with Eastern Europe, which in 1938 accounted for 7.5 percent of all United Kingdom imports and 8.2 percent of all its exports, had declined in 1947-48 to 3.3 percent of imports and 4.3 of exports. Percentage of imports from the Western Hemisphere rose from about 32 percent of the total in 1938 to 46 percent in 1947. Changes in the postwar pattern of United Kingdom world trade are shown in the following table:

United Kingdom Imports and Exports 1938 and 1947

	Imports		*Exports*	
Destination	*1938*	*1947*	*1938*	*1947*
Western Europe	23.0	15.0	25.7	24.4
Western Hemisphere	32.0	46.0	17.5	15.5
USA	(12.8)	(16.5)	(4.3)	(4.3)
Canada	(8.6)	(13.0)	(4.7)	(3.8)
Other Western Hemisphere	(11.6)	(16.5)	(8.3)	(7.4)
Sterling Area	31.0	31.0	44.7	48.2
Rest of World	14.0	6.0	12.1	11.9
	100.0	100.0	100.0	100.0

The United Kingdom is making strenuous efforts to restore something of its prewar pattern of trade by cutting down imports from the Western Hemisphere and attempting to increase the volume of exports to the same region. Some success has attended the former aim; during 1948 the volume of imports from the Western Hemisphere was reduced to approximately 33 percent of the total, about the same as in 1938. The long-term objective is to reduce imports from the Western Hemisphere to 23 percent of the total by 1952-53, and to raise exports to the Western Hemisphere from the 17.5 percent of total exports in 1938 to 20 percent by 1952-53, a rise in volume of 80 percent over 1938. The percentage of exports to the US alone is scheduled to rise from the 1938 figure of 4.5 percent to 6 percent by 1952-53.

As has been noted above, approximately one quarter of the United Kingdom's exports go to the countries of Western Europe, the principal items being machinery, vehicles, textiles, coal, and other metal goods. Metal and engineering products of all kinds accounted for roughly half of these exports for the first 10 months of 1948, textiles and clothing for about one-seventh, and other manufactures for about one-sixth. A list of the countries to which they went, in order of importance, follows (overseas dependencies are excluded):

United Kingdom Export Markets in Western Europe

Country	*Jan-Sept 1947*	*Jan-Sept 1948*
	(*£ million f.o.b.*)	
Eire	37.7	56.4
Sweden	22.3	41.0
Netherlands	21.9	31.9
Belgium	23.2	28.5
France	16.5	26.8
Norway	21.6	21.4
Denmark	19.6	19.3
Germany*	13.7	18.4
Portugal	8.4	16.5
Switzerland	11.6	16.5
Turkey	8.0	12.4
Greece	6.5	10.4
Italy	3.3	8.8
Iceland	4.2	3.3
Austria	2.3	2.5
Luxembourg	.2	.3
Total Exports to all Countries	817.2	1,150.1

* Mainly Western Germany, but exports to the Soviet Zone are included.

The countries of Western Europe supply nearly one-fifth of the United Kingdom's imports. The principal items on the list are dairy produce, fresh fruit and vegetables, textiles manufactures (including clothing), wood and timber, and paper-making materials. The United Kingdom depends upon Western Europe for over half of its imports of paper and cardboard, iron and steel (including manufactures), and textiles; for about 45 percent of its imports of iron ore and scrap, and paper-making materials; for 38 percent of its imports of drugs, chemicals, dyes, etc.; for just over 30 percent of its imports of dairy produce and fresh fruit and vegetables; for 27 percent of its imports of wood and timber; and for 20 percent of its imports of machinery. The relative importance of each country as

a source of supply is indicated by the following table:

Sources of United Kingdom Imports in Western Europe

Country	*Jan-Sept 1947*	*Jan-Sept 1948*
	(£ *million c.i.f.*)	
Sweden	28.7	37.0
Denmark	23.0	33.2
France	23.7	31.9
Netherlands	18.2	31.3
Eire	23.7	28.5
Belgium	23.5	28.3
Germany*	13.3	21.9
Italy	22.9	21.0
Norway	10.7	12.9
Switzerland	4.9	7.0
Portugal	6.5	6.8
Greece	6.3	5.2
Turkey	4.8	2.9
Iceland	1.9	2.5
Austria	.7	1.9
Luxembourg	.3	.3
Total Imports from all Countries	1,338.3	1,550.4

* Mainly Western Germany, but imports from the Soviet Zone are included.

Since the war, and particularly during 1947 and 1948, the United Kingdom has made great efforts to revive the depressed trade with Eastern Europe. Despite ideological differences, the need of food and raw materials from the East in exchange for British machinery and capital equipment is so great that discussions have persisted, and in many cases succeeded, despite wrangling over past debts and over just compensation for nationalized British properties. Trade and payments agreements were concluded in 1948 with Hungary, Poland, and Yugoslavia, and with Finland in early 1949. Discussions are being held with Czechoslovakia. The agreement with Poland is of considerable scope, calling for an exchange of goods to the value of some $600 millions each way over a 5-year period. In return for a variety of foodstuffs and timber the United Kingdom will allow Poland to acquire capital goods and such raw materials as oil, wool, and rubber. From the British point of view these agreements are salutary in reducing economic dependence on Western Hemisphere nations. With the USSR itself the United Kingdom concluded a trade agreement in December 1947 to obtain 750,000 tons of coarse grains, in exchange for machinery and help in obtaining wool, rubber, and aluminum. The USSR has expressed dissatisfaction with the rate of British deliveries and efforts on the part of the British to renew the agreement have met with difficulty.

b. Postwar Trade Policies.

The commercial policy of the United Kingdom for the past 150 years has been built upon a foundation of multilateral trade. It was of no concern to Britain that its trade with each country should exactly balance, for sterling was freely convertible into all other currencies and a deficit with one country could be offset by a surplus with another. This multilateral system of trade and payments has been paralyzed as a result of World War II. With demand for dollar goods universal, and most trading nations unable to earn sufficient dollars to satisfy their demand, mutual trade is everywhere hampered by difficulties of payment. Each country has jealously guarded such gold or dollars as it was able to earn or already possessed, and has refused to hazard their loss by incurring adverse trade balances outside of the dollar area. As a result the postwar world has been divided into three main trading areas: the dollar bloc, with trade financed by dollars; the sterling area, with trade financed in sterling; and the rest of the world, which attempts to effect the exchange of goods with as little recourse to ultimate monetary settlement as possible.

Although the avowed long-term aim of the United Kingdom's foreign trade policy is a return to multilateralism as quickly as possible, its immediate postwar need is to balance its accounts even at the price of a temporary abandonment of this aim. The prevalent payments difficulties since the war, therefore, and particularly since the collapse of the sterling convertibility experiment of 1947, have forced the United Kingdom to conclude a series of bilateral trade pacts, of which the most important are those with Argentina, Belgium, Bizonia, Brazil, Canada, Denmark, Eire, Finland, Italy, the Netherlands, New Zealand, Norway, Poland, Portugal, Sweden, Switzerland, and the USSR. These pacts

tend to follow a pattern. Most of the agreements are for a short duration and subject to periodic review but frequently include provisions for automatic renewal unless denounced. British negotiators start with the fundamental purpose of getting the greatest possible amount of essential imports without paying out gold, while restricting as much as possible the import of less essential items.

Bulk purchasing of basic foodstuffs and certain raw materials by government departments was resorted to during the war and has been maintained since to a large degree in the face of considerable criticism, both at home and abroad. In the system are included such important products as wheat, sugar, cocoa, meat and bacon, cotton, metals, and timber. In 1947 bulk purchases amounted to more than £944 millions, 53 percent of total imports. The greater part of the import requirements of the United Kingdom for wheat are provided for under a long-term agreement (1946-50) for the shipment from Canada of 600 million bushels, at a rate of approximately 150 million bushels a year. Perhaps the most important decision in the field of state trading was to keep the Liverpool Cotton Exchange closed, and to maintain the wartime system of bulk buying of raw cotton. Under this agreement, a state commission is the sole purchaser of cotton on the world markets for the British consumer. The quantity of cotton involved is between two and three million bales annually. The British Government may be under some temptation to prolong this system in the light of the stability it affords to the long-term planning programs. Its retention, however, will depend to a large degree upon the movement of world prices.

c. Tariff Policy.

The granting of preferences on Empire goods was begun by the United Kingdom in 1919 and was considerably expanded until the various acts were consolidated in the Ottawa Agreement of August 1932, which provided for free duties on certain imports from the British colonies, mandates, protectorates, and dominions. The imperial preference system as it exists today consists of interlocking agreements by which the United Kingdom and members of the Empire and Commonwealth allow entry to many imports from each other at lower rates of duty than are imposed on products originating in other areas. Quotas have also been established for certain products from outside the Empire. The system of trade thus established involves almost one-fourth the area of the world and has been the subject of bitter controversy; the US has been especially critical. Under the auspices of the United Nations, meetings were held at Geneva from April to October 1947, and at Havana from November 1947 to March 1948, which resulted in the drafting of the Havana Charter and its signature by 53 nations. At Geneva the United Kingdom made concessions on the preference treatment of approximately 274 items, and at Havana undertook to make no new preferential tariff arrangements. However, as a means of holding the Commonwealth together the system of Empire preference appears since the war to have taken on considerable political importance as a symbol of Empire unity. Consequently these concessions have met with objection in Britain. In October 1948 the Conservative Party at its annual conference went on record as opposing the Geneva Trade Treaty and the Havana Charter in so far as they limited the preferential system.

d. Future of British Foreign Trade.

The British face many future problems in finding markets for all the goods they need to sell abroad to finance the necessary level of imports, particularly where the object is not only to increase the total level of exports but to increase the volume of trade in areas where competition is most keen. It is not enough for the United Kingdom to gear production and investment programs to an anticipated level of increased exports and to adopt fiscal policies and controls to funnel production into exports. Foreign buyers must be both willing and able to buy British goods, and the price factor, which governs this aspect of the problem, is only partially under British control. Factors beyond the control of the United Kingdom are rising foreign competition, political and economic instability in various areas, and the restrictive trade practices which accompany instability. As regards industry in general and the textile

industry in particular, concern is being voiced by the Government at incipient competition from Germany and Japan.

In the sellers' market which has existed since the war, wherein anything produced could find a market either at home or abroad, price has not been a primary consideration and there has been little incentive to concentrate upon the reduction of costs of production. Largely because of liberal wage increases and the advancing prices of raw materials, costs generally have been rising. There are now increasing signs that the sellers' market is beginning to show limitations and that the pent-up postwar demand for some types of goods is being satisfied; it is unlikely, for instance, that the British can maintain their export of automobiles to the US at its present high level. The chances, therefore, of Britain's maintaining the desired volume of foreign trade in an era of greater purchaser's selectivity depend mainly upon their ability to meet increasingly severe competition. In this the price factor is paramount, and Britain's ability to control or reduce production costs will call for a continued high degree of application and self-discipline on the part of both management and labor, as well as improved mechanization, modernization and reorganization of work.

9. Overseas Development Program.

Britain's colonies and other dependent territories with an aggregate population of 63 million inhabitants possess vast and largely untapped resources which await development. The British recovery program includes plans for the development of these resources. Along the same line the United Kingdom has undertaken to promote the production within these territories of various strategic materials and to facilitate their transport to the US for stockpiling purposes.

The economies of British Colonial dependencies are basically dependent on agriculture and, to a lesser extent, on mining, and are likely to remain predominantly so for a considerable period of time. Colonial development programs do not include any large scale industrialization. The program will, however, depend in many instances on improved transportation facilities. The United Kingdom Government has allocated about £30 millions for expenditure by 1956 for civil aviation, ports, harbors, railways, roads and telecommunication. Considerable attention is also to be paid to a general improvement of health and education.

The following table summarizes some of the principal production figures:

	Metric Tons		
	1936	*1946*	*1952-53 (forecast)*
Peanuts (exports only) (East and West Africa)	300,000	335,000	880,000
Sugar	980,000	895,000	1,400,000
Rubber (Malaya, Ceylon, West Africa)	400,000	435,000	830,000
Tin (Federation of Malaya and Nigeria)	78,000	27,500	94,500 (1)
Copper (Northern Rhodesia)	158,000	202,000	356,000
Cobalt (Northern Rhodesia)	885 (2)	475	1,200
Bauxite (British Guiana, Gold Coast, Malaya, and Jamaica)	160,000	1,250,000	1,950,000 (1)
Lead (Northern Rhodesia)	580	16,000 (3)	35,000

(1) 1950 (2) 1937 (3) 1947

It should be noted that some of these forecasts, notably those for tin and lead, are considered to be optimistic.

Legislative provision for colonial development was provided by the Colonial Development and Welfare Acts, as amended in 1945, which established a credit of £120 millions to be expended from 1946 to 1956. Colonial Governments and administrations were asked to submit programs for development projects in their jurisdictions. Twenty-one of the forty-five eligible territories have submitted plans involving a total expenditure of £200 millions, of which about £64 millions is chargeable

against the Colonial Development and Welfare Fund. The balance is to be provided from colonial revenues, reserves, and loans.

It has been estimated that, of all new monies being put into Colonial development and welfare, at least half are going into directly productive economic activities, a further one-third into maintenance and expansion of public utilities essential to development, and less than one-sixth into social services. Sums are also allocated to expenditure on research designed mainly to assist the territories in their development and provide them with resources which would not otherwise be available to them. In view of the present slow rate of progress in carrying out the Colonies' ten-year plans, permission to spend more annually, from £17.5 millions to £20 millions, without, however, increasing the total allocation, is being provided by new legislation.

These long-term plans provide for the general expansion of basic economic and social services. They do not normally provide for projects of a purely commercial character. To meet this need, the Overseas Resources Development Act was passed in February 1948 providing for the establishment of two public corporations—the Colonial Development Corporation and the Overseas Food Corporation with total resources of £110 millions and £55 millions respectively. The alternative possibility of speeding up the economic development of the colonies by the large-scale US private investment, if such can be attracted, is being studied and discussed by UK authorities but little appreciable effort has apparently been made to date. Though welcoming ECA aid and expressing an interest in limited US private investments, officials have indicated that at present their main reliance for non-British capital in the colonies is on loans from the International Bank.

CHAPTER III

FOREIGN AFFAIRS

1. Origins of British Foreign Policy.

The foreign policy of the United Kingdom has long been directed towards two major objectives: a) the security of the British Isles, the Commonwealth and the Empire, and b) maximum participation in world trade. Traditionally there have been two devices of policy which the British have consistently used to achieve these objectives. The first was to maintain a Navy sufficient for control of the seas against any contenders; the second was to encourage and preserve on the continent of Europe a balance of power among the various nations, so that no one of them attained a threatening position of dominance.

Thanks to the insular position of Britain the Navy formed a shield against invasion as well as a means of protecting and furthering overseas commerce. The British Army could be kept relatively small, and it could be transported anywhere in the world by sea, while hostile armies were generally confined to the land. Relative to the immense returns it gave in power the Navy was inexpensive to maintain. Moreover, it did not forcibly intervene in British domestic politics, as armies sometimes had, and it presented no obstacle to the liberal nature of British political institutions. Hence the British were able to claim that despite their tremendous power they were not a militaristic nation, and this lent them a form of prestige which in the nineteenth century at least was not without value.

Yet despite its great Empire and tremendous wealth, the United Kingdom was itself a country small in area and even in population. Its security could not rest entirely in naval squadrons, but had to be buttressed by a reasonably favorable power situation in the world. Until the twentieth century the neighboring continent of Europe contained the only nations which could be dangerous. They were, however, constantly at odds with each other because of their various conflicting interests and ambitions; as long as their respective strengths roughly balanced they cancelled each other out and left Britain free to pursue her interests on the seas and in the far parts of the world. Since the seventeenth century Britain had given up any territorial ambitions of her own upon the continent, but it soon became a cardinal principle of British policy that a balance must be maintained among the other states there. At all costs it must be insured that no nation attained such dominance that it could turn upon Britain without fear of enemies at its back. Thus the British when necessary joined the weaker side in continental wars; they fought Philip II of Spain, Louis XIV of France, Napoleon, Kaiser Wilhelm II, and Hitler. In time of peace they have sought with varying success to check the rise of any nation which threatened to dominate Europe; at present they oppose the Soviet Union, but their weight alone is no longer sufficient to redress the balance-of-power.

During the nineteenth century Britain dominated the economic life of the world with almost the same completeness that it controlled the seas. By virtue of supremacy in industry, banking, and shipping British power in business became in itself an instrument of policy. Moreover, it happened that free trade, free enterprise, liberal institutions, and the gold standard were not only the system most profitable to British business, but also on the whole the system least troublesome to other nations, if not always to other governments. Thus, except in time of war, the vessels of all nations enjoyed equally the freedom of the seas; they were welcome in British ports, and were protected from piratical attacks. Wherever trade and commerce increased, there

British as well as foreign profits likewise increased. The nineteenth century was the most peaceful century since Roman times, and is sometimes known as the period of the *Pax Britannica.*

The ideally satisfactory position for Britain was thus one of detachment over against a European balance of power; of freedom from binding political commitments, and complete flexibility of policy so as to deal with dangers at their early appearance. Throughout most of the nineteenth century this position, which the British sometimes called "splendid isolation," was maintained. It had to be abandoned when Germany became so powerful as to alarm the British and convince them that they must seek firm and fast friends. In 1902 an alliance was made with Japan, with the primary object of securing the Far Eastern interests of Britain in case of emergency. Two years later the principal outstanding disputes with France were settled, making possible an *entente* which progressed to the extent of secret military staff conversations. In 1907 an agreement was similarly reached with Russia. Thus when the blow fell from Germany in 1914 the way for resistance had been prepared and the traditional policy could be fulfilled, costly as it proved to be. Against Hitler preparation was far less skillful, and indeed the practice of "appeasement" ran contrary to the traditions of British policy, and almost ended in disaster.

The two German wars of this century accelerated the decline in Britain's relative economic stature, drained away a great proportion of British reserves of money and manpower, and left the United Kingdom in a critically weakened condition. Furthermore, changed techniques of conflict vastly reduced the relative importance of the navy, and increased the vulnerability of the British Isles; insular defense and world power can no longer be based upon the comparatively inexpensive maintenance of a fleet. These factors have greatly reduced the potency of Britain in the world. Meanwhile, the United States and the Soviet Union have risen to a degree of power very much greater than Britain can hope to attain, in the light of comparative natural and manpower resources. The balance of power in continental Europe has been utterly destroyed, and indeed has been rendered largely meaningless, for under present circumstances power must be balanced not in that one restricted locality but in the entire world, if the conception is to have any validity.

The United Kingdom has thus yielded its former dominance in international affairs to be disputed between the United States and the Soviet Union. Nevertheless, as the center of the British Commonwealth and Empire, the United Kingdom remains the third strongest power in the world. This position derives from (a) the stability and flexibility of the Commonwealth and Empire as a political and economic system; (b) possession of the largest present-day colonial Empire with great potential as well as realized resources; (c) long and world-wide diplomatic experience and prestige, with particular ties and influence in such strategic areas as the Moslem world; (d) prestige of the armed forces; (e) high technical and industrial skill of the population; and (f) the demonstrated capacity of the people to preserve social and political stability through the severest crises.

The two major objectives of British foreign policy—security and trade—have not been altered, but the devices by which they are to be achieved have had to be modified. Hopes were placed in the United Nations as a means of attaining security, but growing disillusionment with that organization has caused the British again to seek a balance of power. The short-term solution is the containment of Soviet expansionism and ultimately the dissuasion of the USSR from imperialist aspirations, and, within this frame, the recovery of British economic viability. In pursuit of this objective British policy is based on close association with the US, solidarity within the Commonwealth, and cooperation with Western Europe. A longer-range policy, as yet little more than an attractive speculation, involves a re-invigorated Western Europe, which with its colonial and associated territories could recover its independence and hold the balance between the US and USSR colossi. British leadership of this "third force," as an independent unit or as part of a world-wide political system, is one of the larger hopes

cherished by members of both major political parties.

Thus neither for the short nor the long term have the British any real hope of returning to "splendid isolation." For the present they must adjust to the role of subordinate in the partnership with the United States. For the future the best that they can hope for is to lead a group of nations in Europe and the Commonwealth, and thereby become independent of, even if not superior to, the two greatest world powers. There is reason to believe, however, that even in the long run when the UK expects to be able to re-assert its independence of the US, its policies will remain friendly and generally cooperative with the US. Meanwhile Britain's value as a partner and its stature in international affairs relate directly to the state of its economy. For the attainment of British recovery and for the achievement of the major British objectives, peace is the main prerequisite.

2. Significant International Relations.

a. The United States.

For a century or more after the American Revolution Great Britain pursued a condescending but seldom a hostile policy toward the United States. It happened most fortunately that the chief constituent of American foreign policy—the various practices and interests coming under the designation of the Monroe Doctrine—was also, especially in its earlier years, in close accord with the interests and desires of Great Britain. Hence the British Navy, which could have rendered impossible any implementation of the Doctrine, did in fact generally further it. No very serious differences arose between the two countries, save for a short time during the American Civil War when the British Government tended to favor the South. At the end of the nineteenth century, as the United States increased in size and international concern, there appeared a divergence of interest in the Caribbean and even in South America; these might conceivably have led to real trouble had not the British at the same time been constrained by their mounting fear of Germany and by pressures in the Far East to make the slight sacrifices necessary to insure the friendship of the United States. They accordingly withdrew their military and naval forces from the Caribbean, the most sensitive area in US policy, and from that time the normal relations between the countries were fundamentally harmonious.

In 1794, in 1800-1812, in 1914-1917, and again in 1939, the United States as a neutral power became involved in controversy with England over the British methods of maritime warfare. In the twentieth century, however, the US disputes with Britain were swallowed up in the greater conflicts with Germany. Nevertheless, by 1918 the United States was powerful enough to prevent Britain from again controlling the seas, and did in fact set out to build a bigger navy. The race which ensued was checked by the naval limitation treaties of 1922, in which for the first time in more than a century Britain publicly admitted another power to equality of naval strength. This admission was of course, inescapable; indeed it was only the isolationist tendencies of US policy between the wars which permitted Britain to assume a dominating position in a world where British power in a relative sense was already greatly inferior to what it had been.

Confronted after 1945 with the overwhelming rival powers of the US and the USSR, and with the relative failure of the United Nations to reconcile antagonisms, Britain had to choose between an attempt to remain neutral and an alignment with one or the other of the great adversaries. It was fairly plain that neutrality was not only too dangerous for the far flung Empire but was also inadequate because it could command no assistance in an attempt at economic recovery. Under the circumstances it was inevitable that Britain should throw in her lot with the United States rather than with the patently hostile Soviet Union. Common cultural and political traditions impelled it, and moreover the United States offered substantial help toward Britain's recovery and a lesser threat to Britain's independence. Nevertheless there were obstacles and objections to be met. It was hard for the British, long accustomed to dominance, to accept a position of inferiority in any political combination. Furthermore, as Britain

turned to Socialism, some of its more leftist citizens felt that a great gulf separated their ideals from those of the "capitalistic" United States, even though they soon realized that it was a narrower gulf than that between them and the totalitarianism of the Soviet Union. And the United States, though certainly not as bent as the Soviet Union upon destroying the British Empire, nevertheless preached diligently against "imperialism," greatly offended those right-wing Britishers who wished to preserve a substantial proportion of their old dominance over alien peoples, and periodically embarrassed the Labor Government, which was committed to fostering "orderly" colonial progress toward self-government. Finally, Britain was economically almost entirely dependent upon a high volume and delicate adjustment of overseas trade, while the United States by reason of its tremendous economic power was in a position to control the flow of such trade, and in some British eyes showed a tendency to control it to grave British disadvantage.

Despite these hindering considerations, which the majority of British soon felt to be of secondary consequence, the growth of understanding and solidarity between the US and Britain has been fairly steady since the beginning of the war, the growing hostility since 1945 of the USSR acting as a potent fertilizer. Dominant figures of both British parties, with the widespread support of public opinion, wish a continuation of the *entente* so long as the UK remains weak and USSR expansion needs to be held in check. The British clearly consider that the maintenance of US-UK unity on international matters, a fundamental of UK foreign policy, is a principal deterrent to further Soviet aggression. Britain is the most powerful, useful, and dependable ally that the United States has. The advantages of the *entente* are mutual. However, the British need for US strategic and economic support is so comprehensive that the UK can pursue few courses to which the US may have strong objections. Anglo-US frictions will not conceivably drive the UK into the Soviet orbit, but if disregarded by the US they could accelerate Britain's search for a *modus vivendi* enabling fuller independence.

b. The USSR.

For more than a century and a half Russia has been one of the principal sources of British apprehension; over considerable periods, not limited to the Communist era, it ranked first as a potential enemy. Immediately following the Napoleonic wars Britain was puzzled and alarmed by the ideological vagaries of the Czar, Alexander I, which were for their time only a little less disquieting than those of Lenin and his followers a century later. Early in 1815 Britain came to the point of making an alliance with its late enemy, France, for the purpose of countering the European aspirations of Alexander, but the danger passed without the necessity of such an extreme measure. Through the rest of the nineteenth century Anglo-Russian rivalry was mainly active in the Near East, in Persia, Afghanistan and Tibet; at the end of the century it appeared in Manchuria. Faced with the German threat it was briefly suspended by the *entente* of 1907, to be resumed in greater force after the Bolshevik Revolution ten years later.

Again at the present time the United Kingdom considers the USSR the only threat to its physical security, the main obstacle to effective international cooperation, yet withal a very important source of primary products. The tendency of the Russians towards expansion, with which the British have long been accustomed to deal, is now backed by the extremely powerful ideas and formidable techniques of Communism. For a time there existed a widespread belief that the Labor Party, which had a record of some sympathy with the Soviets, could after coming to power effect a mutually beneficial rapprochement and "bridge" the gulf between the US and the USSR. Under persistently unfriendly Soviet actions and propaganda this hopeful belief has given way to profound pessimism, and British policy has reflected a public feeling which stands in sharp contrast to the pro-Soviet sentiment and to the enthusiasm which greeted the Anglo-Soviet Treaty of Alliance of 1942. Soviet hostility to the European Recovery Program, the establishment of the Cominform, and the coup in Czechoslovakia greatly intensified British antagonism and

confirmed the conviction that the USSR's policy was inimical to British interests. Nevertheless, the British Government appears convinced that the USSR is neither willing nor prepared to make war in the near future to achieve its objectives, although the present "cold war" provides opportunities for miscalculations by either West or East which might precipitate hostilities.

Britain's present sense of weakness and military vulnerability tempers the expression of antagonism to the USSR. The UK emphatically does not wish to slam the door against an eventual reconciliation, and entertains some hope that expanding trade relations—which are very important to the UK for cogent economic reasons—may lead to an improved political atmosphere, particularly if economic recovery in the west is accomplished. But no concessions will be made which would materially improve the Soviet strategic position. If war should come Britain would unquestionably side with the US; meanwhile British policy is intimately linked with that of the US, is reliably firm but unprovocative, and aims at the creation of defensive regional alliances around the perimeter of the USSR, possibly to be interlocked eventually. Only economic collapse or the premature withdrawal of US support would alter the British position.

c. The UN.

During the earliest days of the United Nations Britain gave the organization wholehearted support, based on the belief that a world-wide system of collective security was the most effective and morally desirable guarantor of international stability. For various compelling reasons, furthermore, the United Kingdom was more disposed than either the US or the USSR to sacrifice a measure of sovereignty to such an organization. To a greater degree than either of the other powers, the UK (a) is dependent on the maintenance of peace for economic survival, (b) cannot afford to support military forces adequate to its needs in a free balance-of-power relationship, and (c) cannot escape substantial devastation in a future war. Britain has everything to gain and but little to lose if the United Nations organization should prove successful.

But the UK has now been forced to conclude that the United Nations, at least for the time being, is ineffective as a guarantor of collective security. And without offering commensurate return in security it has sometimes, as in the case of Palestine, taken steps prejudicial to British policy. Growing disillusion has caused the British Government to lift crucial international issues outside the organization, and to attempt to reach agreements on vital questions with other like-minded nations apart from, or with only lip-service to, the United Nations.

Although British hopes for the UN have thus been gravely disappointed, British support for the organization will not be withdrawn. The government believes that UN machinery can still be used for localized, specific tasks, and that the meetings are still a valuable forum for the airing of views, for informal diplomatic exchanges, and for contacts between East and West. They also consider that the UN keeps a certain symbolic value, and that at some future date, if fundamental tensions shall have been relaxed, the UN may approach once more to a successful performance of the functions for which it was first intended.

d. Eastern Europe.

British policy toward Eastern Europe parallels that of the US, and the two Allies closely coordinate their diplomatic activities. The UK is taking a cold political line with the Eastern European governments, although Britain's postwar weakness, important trade considerations, and the desire to maintain a diplomatic foothold in the curtain countries, have at times led Britain to act cautiously. These considerations, and particularly trade, will continue to color British policy toward Poland, Czechoslovakia, and especially Yugoslavia, but the British recognize that relations with the Satellites are closely bound to the larger question of Anglo-Soviet relations, and their policy will remain coordinated with that of the US.

e. Western Europe, Western Union, and the North Atlantic Pact.

For centuries Britain has considered that the Low Countries formed a vital security zone,

surpassed in importance only by the territorial integrity of the British Isles themselves. In 1793 and in 1914 British Governments declared war without hesitation when this territory was molested by its great continental neighbors; the UK still considers the security of Belgium and the Netherlands as most directly related to its own. In recent decades France has changed from the status of a potential enemy to that of a friend and important ally, and its northern and northeastern provinces have constituted a part of the same security zone.

While elementary considerations of geographical security thus operate to produce a community of strategic interest between Britain, the Low Countries, and France, political and economic ties have reinforced the relationship. The UK has been greatly concerned to sustain stable middle-of-the-road governments in those countries and to promote their economic recovery. As a matter of policy the UK is supporting in all feasible ways the French position in North Africa. The instability of France has been a particular and continuous source of anxiety, since the UK considers a stable and united France indispensable to a strong Western Europe. Nevertheless Britain's own economic straits since the war have sharply limited its capabilities for effective helpful action. It has been able to supply important military equipment and guidance, but its inability to provide substantial economic support and its need to impose sharp trade terms out of regard for its own recovery have been costly to British influence. With France, Britain has nowadays a great sense of common interest, but this is modified in its potency by a rivalry over leadership in Western Europe and by the ancient and inherent British popular distrust and dislike for the French, which is not strong enough to prevent political attachments, but which is certainly sufficient to prevent any widespread feeling of mutual sympathy.

Meanwhile economic, military and political cooperation among the Western European powers has steadily expanded, gaining impetus as a result of the unabating threat of Soviet policies and the pressure of US exhortation. In each of these fields of cooperation British influence is evident and is generally dominant. The instrument of economic cooperation, the Organization for European Economic Cooperation, derived from Foreign Secretary Bevin's seizing upon Secretary Marshall's suggestion of June 1947 and convening a conference of European Ministers. Bevin's expression in January 1948 of Britain's desire to form a binding alliance with like-minded Western European nations and of the concept of "Western Union" foreshadowed the instruments of military and political cooperation, respectively the Brussels Treaty and the Council of Europe. This remains true even though the British Government never precisely defined what it meant by "Western Union," vacillated when pressed for explanation, and moved so cautiously as to draw occasional charges of hypocrisy.

(1) *The Military Instrument.*

In March 1948, the UK, France, Belgium, the Netherlands, and Luxembourg signed the 50-year Brussels Treaty pledging themselves to mutual military aid, and to economic and social cooperation as well. This treaty (unlike the Anglo-French alliance of 1946, which was narrowly directed against Germany) was made under the stimulus of alarms from the USSR. An organization was established immediately thereafter for concerting military plans, and Field Marshal Montgomery became the head of the staff, with headquarters in France. Though rivalry and conflict with the French over certain policies and procedures have been frequent, Britain's leadership in organizing western European defense has been continuous from the outset; the UK has largely staffed the military organization, laid down procedures, and generally guided the planning program. The series of military commitments thus instituted was considerably more comprehensive than any before in the history of peacetime Britain.

The effectiveness of the Brussels Treaty was recognized to depend in great part on support and supply anticipated from the United States, for neither Britain nor its allies would be able to equip the forces they planned to raise. Accordingly, the Brussels Powers not only formulated a tentative program for US

military aid, but also moved toward the broadening of their Treaty into a North Atlantic Pact, of which the United States would itself be a member. Toward the end of 1948 the initiative in the formation of this new Pact passed from European into US hands, where it remained until the completion of the Treaty in April 1949. Britain has not been conspicuous in the movement toward the North Atlantic Pact. There was indeed no need for strong British direction, for events shaped themselves toward the sort of regional defense agreement which British statesmen had been recommending ever since the war.

(2) *The Economic Instrument.*

Bevin had in June 1947 convened a Council for European Economic Cooperation which was even more unprecedented than the military arrangements under the Brussels Pact. The "Council" became instituted as the "Organization," but after Bevin's initial impetus the British relapsed into caution and uncertainty. They resisted proposals for a high-level, authoritative OEEC leadership with executive powers, favoring instead a consultative body of experts with power only to refer matters back to their governments. With rather excessive rigidity they refused to alter their own national program, and they drew charges of "foot-dragging" and disregard for continental recovery. But during this time they were passing through a financial crisis of their own, altering their economic administration, and consulting with the other Commonwealth nations whose approval of any radical measures the British considered necessary. Following their early uncertainty and indecision, and as their own progress toward recovery stepped up, the British recovered the initiative and made major contributions to the functioning of the OEEC organization. In the first year of ERP, under the intra-European payments scheme, they contributed substantial sums of sterling to the continental members of OEEC; and they introduced the idea of continuing the organization after the 4-year program of US aid ends. Britain is at present firmly committed to the program of cooperative European economic recovery. It is plain, however, that the Labor Government considers that its own national program of recovery through austerity is both more successful and more reputable than the less demanding methods of continental nations; it questions skeptically the value to the UK of more formal moves toward integration. The British do not intend to relax their own program, nor to imperil its success, nor to undermine Commonwealth solidarity by undue concessions to continental demands regarding Britain's economic behavior. This attitude has made difficulties—particularly with the French and the Belgians who consider that British policy directly harms their recovery—which will doubtless increase as the sellers' market declines.

(3) *The Political Instrument.*

Britain's "Western Union" proposal, it is clear now, envisaged political cooperation in Western Europe as an informal evolutionary development which would take in its first stage the form of a conference of Ministers of the various governments meeting periodically to consider questions of common concern. Consequently, the UK strenuously resisted the strong wish of France and Belgium (and of an appreciable segment of British opinion) for a formal international Parliament which, with or without supranational powers, would according to British estimates only emphasize and exacerbate national differences. The idea of federation the UK outrightly rejects as visionary, for at least this generation. The numerous reasons for the British attitude include: (a) unreadiness to surrender any great measure of sovereignty and gear the UK to unstable western European polities; (b) refusal to commit the UK any further than the rest of the Commonwealth would approve; (c) doubt that the diverse social and cultural practices of the nations can be harnessed to pull in the same direction; (d) conviction that informal cooperation on specific problems between governments would be more practical and fruitful than an experimental Parliament; (e) fear that a public Assembly would pressure the UK into unwise or premature commitments; and (f) a traditional penchant for the slow and gradual evolution of institutions. Nevertheless, faced with rising internal as well as

European pressure to reach agreement, the UK acquiesced in a compromise which goes far to meet continental wishes. The resultant Council of Europe, the political instrument of cooperation, is composed of both a Ministerial body and a Parliamentary Assembly. The UK Government representatives will probably attempt to circumscribe its activities within narrowly interpreted terms of reference. But the government hopes that the Ministerial body, in effect a European Cabinet, will be able to exert the more powerful influence. Britain's Conservative Party leaders have attempted to make political capital of the government's reluctance to move fast toward the establishment of European political institutions. They themselves, nevertheless, would probably exercise comparable caution (though with some differences of approach), and for largely similar considerations.

An aspect of Britain's European relationships which is difficult to assess with accuracy is that of non-governmental relations between the Labor Party and the Socialists of the continent. As the most powerful, wealthy, and successful of all Socialist Parties, the British Labor Party exerts influence over continental Socialists, some of whom are in power, and many of whom hang upon the fringes of power in their several countries. The impact of Britain upon Italian politics, for example, is almost certainly more potent through the Party influence than it is through the Foreign Office; the influence of British Labor upon Austria (to take another instance) is powerful, and runs through channels parallel but not identical with those of the Foreign Office and the military government. This is something of a new factor in international affairs, though there is nothing new in the international connection of working-class movements. For the first time, however, a British Socialist movement, being in undisputed authority at home, and enjoying among Socialists an unprecedented prestige, is able to exert some of the irregular but substantial kinds of international influence that aristocracies wielded for centuries in their different order of society.

f. Germany.

UK and US objectives in Germany are in fundamental agreement although some important differences in emphasis and approach are apparent. The UK desires to restore viability to western Germany in the shortest possible time subject to security restrictions on German industry, in order to eliminate the drain on the British treasury; to restore political responsibility to a German Government at a cautious pace; to oppose Communist attempts to achieve trade union and political influence or westward Soviet penetration in any form; and to bring Germany into the Council of Europe as a full member. The UK, however, being less confident than the US that Nazi-type right-wing nationalism will not reassert itself therefore aims to avoid too rapid a restoration of self-government. For the same reason the UK desires a more restrictive policy on the parts of German industry that are militarily useful, although a further consideration probably involves the protection of certain British industries from German competition, apprehension of which is becoming increasingly apparent in the UK.

The British accept that the transfer to the US of most of their financial obligation in Germany has proportionately decreased their voice in German economic affairs; they intend, however, to retain their political authority as far as possible. The British Government supports the ideologically attached Social Democratic Party and, although their early aspirations for extensive industrial socialization in Germany have been submerged, they are still alive. The British are committed to socialization in principle, but they also consider that such a policy for Germany would be a security safeguard—would strengthen the non-Communist left against the Communists and weaken the right-wing nationalists.

The British do not want to close the door to an eventual unified, genuinely independent Germany. They oppose French efforts to maintain heavy restraints on German political or economic progress, but they will not act against France on a fundamental German issue which might bring down the French Government. Feeling as they do that Germany is the prize in the East-West conflict, the British will continue to stand firm in

Berlin, to maintain their occupation forces indefinitely, and to cooperate closely with the US.

g. Italy.

Towards Italy the UK is well disposed, but wartime resentment is not dead, and it has intervened in a long tradition of political friendship and even of popular sympathy. Present Anglo-Italian relationships derive from co-membership in the OEEC, the Council of Europe, and the North Atlantic Pact, but the chief factor in the relationship is the structure of power in the Mediterranean. A friendly Italy is important to the UK; but the UK has been the most adamant of the major powers against Italy's aspirations to recover most of the ex-Italian empire.

h. Spain.

The UK can be expected to maintain and attempt to expand commercial relations with Spain, but it firmly opposes political rapprochement and military collaboration in peacetime (although it recognizes the importance of Spain's strategic position in event of war) so long as Franco remains in power. Hostility to the Franco regime is widespread in the UK; it is especially intense throughout the rank and file of the Labor Party. While the government resists pressures to take positive action against Franco—for economic reasons and for fear of precipitating a new civil war which could benefit only the Communists—it will also resist pressures to admit his regime into closer association with Western Europe.

i. Scandinavia.

British policy toward the Scandinavian countries has aimed at maintaining close economic ties, and at drawing Norway, Denmark, and Sweden into tighter strategic and political alignment with the other Western Powers. The UK has supplied these countries with military equipment, has helped to bring them into the Council of Europe, and has helped to bring Norway and Denmark into the North Atlantic Pact. The UK doubts, however, that Sweden can be induced to abandon its neutrality at an early date, and is not disposed to exert much pressure toward achieving that aim. Anglo-US policy toward Scandinavia is closely coordinated.

j. The Middle East.

The UK has considered the Middle East an area of fundamental importance since Napoleonic times. The original strategic reasons for this attitude, involving a source of pressure on the southern flank of Europe, the sole Eurasian-African land bridge, and later the imperial life line—all of which remain valid—have been reinforced by the gigantic British investment in, and the vital need of the western world for Middle East oil. Rising out of this basis, UK policy has aimed at: (1) preventing or sharply limiting the establishment in the area of other external influence; and (2) retaining the friendship and stabilizing the position of incumbent, well-disposed governments of the various states. British opinion is unanimous that the Middle East must be defended at any cost, and in strategic planning, subordinates the area only to its home defense zone.

In the British view, if the Middle East should come under Communist domination, the independence of India, Pakistan, Ceylon, and Southeast Asia would be in grave danger; and the whole balance of world power between the USSR and the West might be permanently affected. Britain, therefore, views any Communist menace to the Middle East as a threat to its national security as dangerous as any Communist threat to Western Europe; the UK reacts vigorously to any internal or external Communist provocation or danger in this area. British policy has altered in only one important respect: the UK encouraged US participation in the affairs of the area, to a degree short of over-all domination. This modification was clearly the result of Britain's reduced power status, the proportions of the Soviet threat, and the recognition that US strategic interests in the area would be largely parallel to the British. This policy justified itself when the US, following indications of British weakness, took the initiative at three foci of the system—Greece, Turkey, and Iran.

Long-run British policy for the Middle East, still in process of formation, envisages: (1) permanent US participation in the affairs of the area and increasing, exclusive US-UK coordination of policies and actions; and (2) the retention of the Middle East for the Western

Powers by means of US-UK economic and cultural investments which will raise the living standards of the indigenous peoples, stabilize political systems, and make uninviting the prospect of alignment with the USSR. However, US-UK differences over Palestine will have to be settled before much progress can be made along these lines. The aim is, as historically, to insure strategic and economic interests, but the means derive from the altered balance of power situation in the world and political situation in the area; British weakness has required US participation, and increasing Arab nationalism and political consciousness have required a new approach to the retention of influence. Both weakness as a world power and Arab nationalism have undermined British influence to some extent, but not so seriously as is widely believed.

As regards the Arab states the UK desires to insure their stability and good will, and has since the war aimed at workable new military treaties with each of them, the whole to form a net embracing Britain's strategic interests in the area. Recently the British have been thinking in terms of a Middle East pact which would eventually interlock with the North Atlantic Pact and be underwritten by the US. The intense postwar chauvinism in the Middle East first ruled out new British treaties except in the case of Transjordan, and then the Palestine issue made negotiations unfeasible. Britain's foreign policy has been frankly pro-Arab, however, and there is reason to believe that British prestige may be in the process of recovery. The Arabs have begun to re-appraise the value of a "powerful friend," and the course of international developments over Palestine has certainly made the Arabs feel that of the Big Three the UK is by far the least objectionable. Likewise, the western influence in the area is traditionally British, the result of generations of close relations, and of a steady flow of British money, missions, and materials into the area. Relations between the British diplomatic missions and the Arab governments generally continue to be very intimate.

British policy toward Palestine has been more pro-Arab than anti-Zionist. The Labor Party in the UK is actually pro-Zionist in principle. On coming to power, however, Laborites concluded that security considerations outweighed those of principle. Thus Palestine policy was based on a negative: the UK would support no solution which could (1) alienate Arab good will; (2) create instability in the Arab world; (3) deny the UK land communications across the southern Negeb from Egypt to Transjordan; or (4) offer any kind of opening for Soviet influence in the Middle East area. They therefore did not support any solution not agreeable to the Arabs until the Bernadotte proposal was introduced, which they considered was the best deal the Arabs could obtain. By this time they had come to the conclusion that any solution would have to be imposed and that the need to restore peace was urgent for the sake of Arab stability and "face." They were prepared to admit the establishment of a Jewish state but desired to keep it weak and small.

Having failed to obtain US support for their views and coming under increasing fire at home for ineptness in handling the problem, the British Government began early in 1949 to soften its line toward Israel. It has granted *de facto* recognition. It has urged all the concerned Arab states to negotiate an agreement with the Israeli directly or through the UN Conciliation Commission. The British continue to desire an early solution which will restore stability to the area, although it is not clear that they have discarded their opinion that a solution will have to be forced on both sides from above, i.e., by the UN or concurrent US-UK pressure. The UK feels that the ideal solution for stability would be one not so favorable to either side that the other will seriously lose "face," a development which, in the case of the Arab Governments, would lead to their fall. The UK also continues to desire a settlement leaving the southern Negeb to either Transjordan or Egypt. The UK appears considerably less certain than the US that Israel will not provide an opening for Soviet penetration of the Middle East. Likewise the UK fears that Israel may continue to be aggressively expansionist and thus perpetuate a state of unrest. While it clearly desires to retain Israeli good

will toward the West (with the US the main instrument) the UK puts a higher priority on insuring the availability of the strategic areas of southern Palestine, which it regards as of fundamental importance in the event of war with the USSR, and the stability of friendly Arab Governments. In pursuit of its aims British policy has been somewhat inflexible.

Since the war's end the UK has hoped that Egypt's extreme nationalism, which has steadily prevented the conclusion of a new military treaty, would wane. The British continue to be hopeful, because no satisfactory substitute for Egypt as a military base exists in the eastern Mediterranean area. Although in 1946 the UK agreed to withdraw its troops from Egypt, the movement is proceeding very slowly. Meanwhile, the British consider that the defense treaty of 1936 remains valid, although the Egyptians take the position that their denunciation of it has made it inoperative. Another Anglo-Egyptian controversy which prejudices more intimate relations exists over the condominium of the Sudan. The British flatly reject Egyptian arguments in favor of Egyptian sovereignty. Anglo-Egyptian relations, nevertheless, remain rather close. It is notable that a British military mission continues to operate in Egypt, that Egypt is not pressing the UK for a more rapid withdrawal of its forces, and that Egypt has recently approved the implementation of the far reaching Nile development scheme. There is reason to believe that the Egyptian authorities are coming to view more favorably the idea of a new alliance.

The UK has also entertained hopes of concluding a new defense treaty with Iraq. Although the ill-fated Portsmouth treaty of 1947 brought down the Iraqi Government, a pro-British Prime Minister was installed in January 1949. The UK probably will bring up the question again when the Palestine problem is settled. Meanwhile, an older treaty remains in effect, and under it the British control two air bases in Iraq. The UK has extensive oil holdings in Iraq, royalties from which substantially support the Iraqi economy and afford the British a strong influence.

While British diplomatic activity in Syria and Lebanon is presently at a low level, apart from conversations on Palestine, the UK hopes to bring the two countries eventually into the net of defense treaties.

The UK continues to be hopeful of concluding a defense treaty with Ibn Saud which will enable an air base system to be developed in Saudi Arabia. The British have appeared to be alternately pessimistic and optimistic over early progress in this direction, but a Palestine settlement will probably have to precede concrete action.

The UK equips, trains, and has largely officered the Transjordan Arab Legion; it has a satisfactory defense treaty with the country. British support for Abdullah and the annual British subsidy enable the UK to call the important tunes in Transjordan.

While the diplomatic initiative in Iran has largely passed to the US, the extent of British oil holdings impels the UK to retain a strong voice. Relations with Iran are close; the British diplomatic mission is regularly consulted by the government on important issues.

The UK is content to play a supplementary role to the US in both Greece and Turkey, the latter of which it considers one of the strong nations in the western orbit. Traditionally areas of primary British interest, the two countries had by 1947 strategic needs greater than the UK could satisfy, and the British welcomed the Truman Doctrine with its immediate material support for both. The UK continues to maintain military training missions in the two countries, and other special missions in Greece; it is formally allied to Turkey. Britain feels that Turkey and Greece must be reassured that their defense is a matter of direct and continuing concern to the West, and that some formal arrangement must, therefore, eventually be made for their integration in a defense system. Bevin has suggested to both countries that they consider the formulation of an Eastern Mediterranean Pact.

k. The Far East and South Asia.

Britain's postwar Far Eastern and South Asian policies have aimed at finding new and cheaper means for the protection and development of its interests: its trading and commercial position, its extensive capital investments, and the security of the Far Eastern dominions and colonies. Capable since the war of playing only a very limited economic and military role, the UK has had to deal with the problems posed by rising nationalist development following on the government's momentous 1946 decision regarding its Asian dependencies. The grant of independence to Burma, India, Pakistan, and Ceylon (the last three states remaining in the Commonwealth), was a postwar retrenchment measure; the UK could not, even if it would, impose any other solution to the problem of nationalism. But it was also a manifestation of the fundamental policy of the British Government. Britain's virtue no doubt was owing in part to its weakness—a large body of opinion, mostly Conservative, considered the British action premature—but the UK Government recognized the passing of the old colonial era, and has managed to regain a large measure of the confidence of the newly independent nations (as well as of other colored peoples) and to maintain close economic and military ties with them. A new relationship is developing between the UK and the Asian countries. Old suspicions of imperialism have been somewhat allayed. It has become possible for the British to look forward with optimism to mutually advantageous commercial, political and defense cooperation.

Britain currently regards the southward expansion of Communism as an urgent threat. It hopes to combat this danger in three related ways: encouragement of nationalist movements to counteract the emotional attraction of Communism; aid in economic and social development throughout the area to alleviate the material conditions in which Communism breeds; furtherance of cooperative action by the non-Communist governments of South Asia for their mutual protection. Of necessity, however, Britain has moved with considerable caution along all three lines. Indonesian and Indo-Chinese nationalism could not be encouraged to the extent of disrupting Anglo-Dutch and Anglo-French relations; nor has this means of combatting Communism offered any prospects of success in the multi-national territory of Malaya. Economic aid has been severely limited by the UK's own difficulties at home, though it is noteworthy that even in the midst of its own financial crisis in the summer of 1949 the UK Government concluded an agreement with India which increased the dollar and sterling allotments previously agreed on. The formal initiating of any kind of anti-Communist security pact has, for obvious political reasons, had to be left to independent Asian nations, and even informal encouragement by the British has had to be very careful in its timing—particularly with respect to India, which would be the key power in such a pact. India has tended to wait on a satisfactory resolution of the Indonesian situation, and the Chiang-Quirino "Pacific Pact" proposals of July 1949 gave the basic idea a diplomatic setback in other Asian capitals also. The UK meanwhile has taken the very characteristic British approach of obtaining as much cooperation as possible on an *ad hoc* basis—in this case, joint action by India, Pakistan, Ceylon and the UK in giving assistance to the Burmese Government to restore the stability of that part of South East Asia.

l. Latin America.

The major British concern with Latin America is economic: an aggressive trade policy is the cornerstone of Britain's Latin American policy since the area, particularly Argentina, is the source of much of the meat and grain and most of the animal feedstuffs and sugar imported into the UK. Although British capital investments have been steadily liquidated during and since the war, UK-owned capital assets in the area still total about $3,600,000,000.

Out of regard for US relations and the position of the US in the Western Hemisphere the UK does not aggressively seek political influence in the general area, and in fact cooperates with US policies; but it is determined for reasons of strategy, economics, and prestige to retain its colonial possessions there, a position which is strengthened by tacit US sup-

port. In the long-standing disputes with Argentina and Guatemala over the Falkland Islands and British Honduras, respectively, the UK has held open an offer to argue the question of sovereignty before the International Court.

CHAPTER IV

MILITARY SITUATION

1. Genesis of Military Policies.

About the year 1600, the British people began the process of overseas exploration and expansion which was eventually to spread their rule into every part of the world. This movement was led by pioneers, farmers, merchants, engineers and various kinds of capitalists, but very seldom by soldiers. Only a minute proportion of the Empire was directly acquired by military conquest. Sooner or later, however, a contingent of troops was generally required here and there to protect far-flung colonists or entrepreneurs who found themselves in difficulties. The contingent did not often have to be large, and fighting was usually on a small scale; frequently it amounted to no more than a "restoration of law and order." For this reason British military policy has been characterized, especially by the British themselves, as essentially protective and defensive.

Since British ambitions have been given rein mainly in parts of the world where formidable military opposition was not to be expected, while the home country was itself an island protected from the incursions of foreign armies, British military policy has been able to fulfill requirements by (a) maintaining small professional armies, assisted in overseas garrisons by native troops, (b) keeping free of entangling military alliances with major powers, and (c) utilizing predominant naval strength to assure the security of imperial establishments and their lines of communication. The last was of course fundamental; without predominant naval strength the first two courses would have been wholly inadequate for an imperial power. Hence the "protective and defensive" British military policy became, by the nineteenth century, based upon the imposing principle that Britain must have command of the seas, and to have it must maintain a navy second to none. In time of peace, the navy expanded and developed a network of mutually assisting bases. It supported and was supported by an expanding maritime commerce, and it maintained readiness for war. If war came, no treaties of alliance required premature commitment of the army upon the continent. The navy attacked the enemy, or transported small units of the army to attack the enemy, wherever he showed weakness; the British Treasury subsidized the armies of continental allies, and when the proper time came the small British Army lent its weight to the final assault.

This policy broke down in the war of 1914-1918, preceded as it had been by more than a decade of alarm owing to the rising power and naval ambitions of Germany. In 1904 the British came to an *entente* with France which was followed by staff conversations committing the British Army by implication if not by letter to initial participation in continental war against Germany. When the war did come, this initial commitment rapidly grew to enormous proportions, and made it necessary for Britain for the first time to fill the ranks of its army by conscription. The day of the small professional army, able to be transported across the seas in order to strike a blow at an enemy's weak point, had ended; improved land communications had solved the problem of the rapid transfer of mass armies. Nevertheless, adherence to a maritime strategy was not vitiated, since it was in great part British naval power which brought about German exhaustion, arising out of the failure of the German Fleet and the U-Boat to gain control of sea communications; and it was naval power that enabled supplies to flow to the UK and troops and matériel to move to theaters of operations.

Technological developments during the first World War, and the progressive decline of Britain's relative economic position among nations, produced some major modifications of British military policy. The portentous rise of air power was recognized by the establishment of a separate military department for air security responsibilities. Participation in the League of Nations was accepted in the hope of achieving collective security. Finally—and this constituted the most remarkable break with tradition—the attempt to maintain unquestionable naval superiority, which had now become quite hopeless, was abandoned, and the 5-5-3 capital ship ratio with the United States and Japan was accepted at the Washington Conference of 1922.

In the decade preceding 1939 military potential declined in both a relative and an absolute sense. The Statute of Westminster in 1931 finally disposed of the already defunct principle that the Dominions were committed to automatic belligerency with any UK declaration of war. The economic depression of the 1930's severely curtailed armament experimentation and production. The Imperial Defense Committee lacked machinery to formulate an over-all defense strategy, and the United Kingdom entered the war against Hitler unprepared for the new technological developments. This time, however, the British were compelled to retreat from their early engagement on the continent of Europe, and victory was eventually achieved somewhat as in earlier times, after amalgamated Allied power had prepared the way for a relatively brief final continental assault.

2. Present Military Policies.

Impelled by the experiences of two recent wars, and by the exigencies of geography and economics in modern times, the United Kingdom has adopted a unified defense organization at governmental level. This organization differs greatly in form but less in substance from that of the United States.* The main function of each is to produce a broad policy for the allocation of national resources to security requirements, and to formulate a coherent scheme of expenditure for providing the forces necessary to support the defined strategic objectives. Unlike the United States, however, the United Kingdom has not adopted unity of military command in geographically delineated areas. Each service commander-in-chief in the field either maintains his headquarters in proximity to his colleagues of the other arms, or keeps direct liaison with a central headquarters.

Apart from occupation duties, Britain's present military objectives, i.e., the missions of the armed forces, are: to insure the security of the UK, British interests overseas and the dependent empire; and to take the leading part in insuring the security of imperial communications. Two contradictory requirements have affected the development of policies to meet these objectives. One is the inescapable necessity to husband resources and manpower in support of the British economy. The other is the clear need at the present time to maintain large forces in being at numerous strategic locations, capable of discouraging expansionist designs, mainly Soviet, on vital British interests. The dilemma has logically had to be resolved in favor of the economy, since it is a major premise of the government that a successful defense policy must be rooted in healthy economic and social conditions. The present state of the forces, considering the existing world situation, is justifiable only on grounds of imperative economic necessity; the British forces are not by themselves equal to their missions.

Current military inadequacy thus raised the need to have strong allies with similar security interests at least during the period when British power relative to the world will be at its lowest point. This period of weakness, lasting until the mid-1950's, coincides roughly with the period in which, the British have estimated, full-scale war is improbable.

The postulate that an early war is improbable may have been based upon a chiefs-of-staff calculation in 1945, unchanged since, that the USSR is not likely to possess atomic weapons in adequate quantity for over ten years. However this may be, doubt was cast upon the whole hypothesis by a sharp increase in international tension during 1948, and as a result

3.3(h)(2)
6.2(d)

some reallocations of manpower were made, and production of selected armaments was increased. Neither added significantly to the UK's military capabilities. It was in fact impossible to increase such capabilities without sacrificing some measure of economic recovery, and the attempt to strike a balance between these two requirements has led to much perplexity and to several shifts of policy.

The decision which has been taken to seek economic recovery at a calculated risk to security was probably made somewhat easier by the lack of crystallization of strategic concepts involving such weapons as atomic bombs, the true submarine, rockets, guided missiles, chemical and biological agents—although the likelihood of the employment of these weapons has ominous implications for a country so situated as the UK. It therefore appeared reasonable to go slowly in committing sparse resources until the problems to be dealt with should be more definitely known. It is felt that research must resolve multiple uncertainties regarding the availability and capabilities of both offensive and defensive weapons of the future before the composition of the armed forces to employ them can be planned. When these perplexities are clarified, presumably in a period of peace, firm decisions can be taken to meet the demands of future warfare.

Present United Kingdom military policies arising out of the foregoing considerations are:

a. To Concentrate Increasingly on Defense of the United Kingdom.

(1) Available resources no longer allow the UK to assume as fully as before its responsibility for Commonwealth security and other widespread defense commitments; at the same time the UK is more vulnerable to attack and to devastation than ever before. Increased roles in the defense of the Commonwealth and its communications are therefore being devolved upon the Dominions, and very considerable effort is being given to strengthening the economic and military potential of the colonies.

(2) The RAF has replaced the navy as the first line of defense, despite Britain's known vulnerability to submarine blockade. It has, next to defense research, highest priority for military expenditures.

(3) Foreign military commitments are being reduced or ended wherever feasible. The UK has (a) reduced its commitment in Greece, handing over responsibility to the US, (b) accepted a shared responsibility with the US in the Middle East generally, (c) devolved upon Australia a principal share in maintaining security in the Pacific area where US interests abut and overlap Commonwealth security needs, (d) reduced the sizes of less critical overseas garrisons, and (e) ended all troop commitments in Burma and India. On the other hand, and in great part counterbalancing these reductions, are (a) the necessity of employing substantial forces in Malaya and in Hong Kong, and (b) the thorny problem in the British-occupied ex-Italian colony of Libya, where the UK wishes to develop a base in Cyrenaica to replace, if necessary, those in Egypt (where treaty arrangements may not be extended beyond 1956) but has been hampered by an impasse in the United Nations concerning permanent disposition of the area.

b. To Maintain a Reasonable War Potential.

(1) First objective is to maintain, during a period of quantitative weakness, qualitative progress of the armed forces by intensive research and development in the fields of technology likely to influence future warfare. As far as possible since the war, the UK military has shielded research and development in the three services from budgetary cut-backs, permitting the onus of economizing to fall on re-equipment programs. Adopted projects are characterized generally by distant materialization dates and by predominant attention to defensive weapons and equipment. Although substantial progress is being achieved, programs are often beset with delays arising out of shortages of scientific manpower and in obtaining specialized equipment. For example, the earliest service date of the most advanced guided missile has been set forward recently from 1957 to 1959.

(2) In equipment, the announced policy is to make maximum use of accumulated stocks and austerely to limit replacements and the introduction of new types. This is based both

on the particular necessity of conservation under present circumstances and on the view that technological developments would quickly render obsolete any interim equipment now manufactured. However, new production of certain categories of arms on a limited scale was authorized in the fall of 1948, notably jet aircraft for both the RAF and the Brussels Pact Powers.

(3) In respect to manpower the factors are more complex and no uniform policy has been carried out. Releases from the armed forces have been accelerated or decelerated as economic stress or strategic necessity has prevailed. Women have been integrated into all Regular Forces on a permanent basis. Peacetime national conscription, effective 1 January 1949, was introduced to meet demands for a continuous reserve to be immediately available in an emergency, but failure of recruiting to provide needed numbers for the army and air force was a signal concomitant. Under this measure conscripts from the age bracket 18–26 will train under and serve with the Regular forces for 18 months and then be discharged to four years obligated part-time service in auxiliary or reserve organizations. A dissenting opinion holds that the needs of the regular forces should be met by volunteers, while conscripts should serve only six months for basic training and not be used to fulfill current military obligations.

(4) *Mobilization* planning marked time until the Berlin blockade was established; the situation now is as follows:

(a) *Navy:* (See page 88.)

(b) *Army*: Mobilization planning began in the spring of 1948. Requirements of the British Army of the Rhine, the Middle East Land Forces, and the UK home base have been completed, but are subject to periodic revision when checked against available manpower, equipment, shipping, and the capacity of the mobilization machinery. Indications are that equipment shortages would be the major difficulty in reaching planned strengths, and that financial considerations will not permit the steps necessary to rectify this situation.

(c) *Air Force*: Plans are complete and detailed for a very rapid expansion of Fighter Command plus the control and reporting organization. Further plans are being developed slowly.

(d) *Industrial*: The Ministry of Supply is working on a long-range plan for emergency industrial mobilization. Successive steps are now envisaged as (1) increased work week to 56 hours, (2) introducing night shifts, and (3) fully utilizing existing factory capacity, followed by expansion. Development of underground plants is not contemplated; strategic stockpiling is virtually non-existent; machine tools for the airframe industry have been surveyed and a sufficient number placed in reserve to produce approximately 40 percent of peak wartime output and other special tools are in storage; a list of jobs to be draft exempt has been prepared.

(5) *Overseas bases* in strategic areas and on important lines of communications, most of them long held by the UK, are not being abandoned by the military. The ring of bases around Eurasia, extending from Gibraltar through the Mediterranean Sea and Indian Ocean to Hong Kong—enlarged by additions in Cyrenaica—is an irreplaceable asset in British strategic planning. The retention, maintenance, and development (if need be) of these bases are not seriously questioned in the UK, and they are freely available for US use.

c. To Develop Ties with Other States Likely to Add to the Security Potential of the UK.

(1) Close collaboration with, and reliance on, the US forces is a basic postwar British policy which has grown out of (a) Britain's inability to secure by itself its far-flung commitments, and (b) recognition that the security interests of the UK and the US largely overlap. Cooperation is apparent in all fields of military activity: research and development, staff planning, intelligence, overseas base organization, and strategic deployments. The British desire to maintain the Combined Chiefs-of-Staff organization in Washington and to promote the standardization of equipment. In event of war, the British military expect to rely heavily on US industrial strength.

(2) Disappointed in the prospects of collective security through the United Nations,

the UK has also turned to regional defense concepts. Under the Brussels Pact the UK is engaged automatically to go to war for defense of the signatory powers. Two recent experiences of premature involvement in a continental war have caused doubts of the wisdom of such a commitment but they are partly allayed by the continuing *entente cordiale* with the United States, and by the North Atlantic Pact which links US potential to Western Union for the creation of a realistic deterrent to Soviet aggression. The idea of similar pacts for the Middle East and for Southeast Asia or the entire Far East is also under consideration in London.

(3) The Dominions are assisted to play their inevitably larger role in Commonwealth security. They are encouraged to enter regional defense arrangements; they participate in a considerable interchange of knowledge and facilities; they are supported and assisted militarily by staff advice, training of armed forces either in the UK or in the country itself, and provision of some equipment. Altogether, liaison with the Commonwealth forces is fairly close and continuous, and it is significant that the UK looks on the white-governed dominions as presumptive allies in case of a major war although no binding agreements exist.

(4) Various countries receive defense assistance in widely varying fashions and degrees ranging from the virtually total maintenance of the defense forces of Transjordan to the mere selling of British types of military aircraft to such countries as Sweden and Switzerland. The aim is to facilitate to the most feasible degree in each case the rapid incorporation of these potentials into British defense techniques and technologies.

3. The Armed Forces.

Royal Navy *

a. Historical.

The Royal Navy is the oldest of present day naval services if age is reckoned in terms of recorded continuous existence. It is a product of historical evolution rather than legislative creation. The institution of the "King's Ships" in the Middle Ages may be regarded as a beginning. Briefly, this was a wartime force composed of armed merchant ships obtained under agreement between the King and the "Cinque Ports." It was later supplemented by the permanent acquisition of ships by the Sovereign, who operated them in mercantile trade during intervening periods of peace. Under the Tudors, vessels specifically intended for combat made their appearance. With them the idea of maintaining a permanent fighting force afloat, as distinguished from a merchant marine requisitioned for the "duration," gradually developed. While the great sailors under Queen Elizabeth were more gentlemen adventurers than professional naval officers, Cromwell laid the foundation for a regular naval organization when he appointed capable soldiers to lead the fleet and raise the standards of discipline afloat. The numerous hard-fought and successful naval wars of the 18th Century, culminating in the repulse of Napoleon's bid for domination, resulted in the emergence of the Royal Navy as we know it today. The 19th Century with its industrial revolution, expansion of commerce, improvements in the standard of living, and development of constitutional government was reflected in a succession of naval administrative reforms and a complete revolution in shipbuilding, armament, equipment, tactics and techniques of naval warfare. Britain reached the pinnacle of naval strength and prestige during the decade preceding World War I. The enemy's submarine campaign of that war brought Britain to the brink of defeat. Since 1918 there has been a gradual but steady decline in the relative strength of the Royal Navy until the outcome of World War II left it as one of three surviving effective instruments of maritime power. The sea-air threat to Great Britain's existence from 1939 to 1945 was even greater than that of 1914-18 or of the Spanish Armada. Despite the exhaustion brought about by this conflict, the elimination of all but one possible naval enemy (USSR) has enhanced the relative position of the Royal Navy. With the US Navy as a prospective ally, it is now much freer to adapt

* This section on the Royal Navy was contributed in its entirety by the Office of Naval Intelligence, on 2 September 1949.

itself to impending revolutionary changes in maritime warfare and prepare for future contingencies.

b. Organization.

The main directive, administrative, and judicial body of the Royal Navy is the Admiralty, comprised of four divisions; namely, the Board of Admiralty, the Naval Staff, the Sea Lords' Departments, and Secretariat. The Board is composed of two groups, the political and professional, and at present consists of four civilians and seven naval officers of flag rank. Three civilians are members of Parliament and the fourth is a civil servant. The senior civilian member (the First Lord), corresponding to the Secretary of the Department of the Navy in the United States, is responsible to the Crown and to Parliament for all the business of the Admiralty, but may delegate such duties and responsibilities as he may think fit. The senior naval member is known as the First Sea Lord and is the chief naval professional advisor to the First Lord and to HM Government. The First Sea Lord is also Chief of Naval Staff and has the over-all responsibility of the formulation of strategic policy, planning, and doctrine. The Second, Third, and Fourth Sea Lords are departmental heads. The Fifth Sea Lord acts in a dual capacity as a departmental head and as Deputy Chief of Naval Staff for Air. In addition to the foregoing, two other naval officers, the Vice Chief and Assistant Chief of Naval Staff, are members of the Board. The Parliamentary and Financial Secretary, and the Civil Lord, are Members of Parliament and their duties are mainly in connection with liaison with that body. The Permanent Secretary is a civil servant and is responsible for the coordination of administration within the Admiralty. Command organization of the Royal Navy consists mainly of area or geographical types, each headed by a commander-in-chief responsible to the Admiralty for the administrative and operational functions of the forces attached to his command. The major stations are as follows: Home, Mediterranean, East Indies, Far East, South Atlantic, and Americas and West Indies. In addition to the area commands there are three major functional commands, namely, Flag Officer (Air), Flag Officer Submarines, and Flag Officer Commanding Reserve Fleet.

c. Mission.

The mission of the Royal Navy is to establish and maintain the requisite maritime control to ensure success of the over-all war effort. Its principal objectives in support of this mission are: (a) the destruction or neutralization of enemy maritime power; and (b) the protection of Britain's own vital sea communications. The first objective is to be accomplished by: direct attack on enemy naval and merchant shipping at sea and in port; blockade of enemy access to the world's oceans and critical coastal areas; and the interdiction and harassment of vital enemy air and coastal communications and installations. The threats to Britain's vital sea communication, which the navy is to counter, are attacks by enemy sea forces and enemy shore-based air forces, and enemy maritime sabotage and subversion. In addition, the navy is to support British and allied amphibious assaults and assist in repelling those of the enemy.

d. Strength and Disposition.

The British Fleet is currently composed of 5 battleships, 6 aircraft-carriers, 6 light aircraft-carriers, 2 heavy cruisers, 24 light cruisers, 115 destroyers, 63 submarines, and 172 escorts. All vessels are modern. Of these, the following are maintained in an operating condition: *Home Waters:* 3 battleships, 2 aircraft-carriers, 2 light aircraft-carriers, 3 light cruisers, 31 destroyers, 22 submarines, and 18 escorts; *Mediterranean:* 4 light cruisers, 15 destroyers, 7 submarines, and 8 escorts; *South Atlantic:* 1 light cruiser and 2 escorts; *North America and West Indies:* 1 light cruiser, 1 submarine, and 2 escorts; *East Indies:* 2 light cruisers and 3 escorts; *Pacific:* 2 light aircraft-carriers, 1 heavy cruiser, 2 light cruisers, 4 destroyers, and 5 escorts. A few destroyers and escorts are held in reserve on overseas stations, otherwise the bulk of the non-operational ships are based on United Kingdom ports. Basic design principles of British combatant vessels emphasize ruggedness, utility, and simplicity. British ships lack the emphasis on speed found in Italian construction, the compartmentation of German vessels or the

endurance of US fleet types. In general overall characteristics, however, British naval architecture is superior to continental European counterparts. During World War II British warships generally performed well under arduous conditions and were engaged in most of that war's surface naval engagements between larger vessels. The newest and largest battleship is *Vanguard*. Except for her 35-year-old but still very effective main-battery guns, she compares favorably with her foreign contemporaries. The largest available carriers are *Implacable* and *Indefatigable* of prewar design. While inferior to the standard American CV in plane-carrying capacity, they are superior in flight deck protection. The latest destroyers in commission ("Battle" Class) were specifically designed for anti-aircraft screening. The escort ship category includes the best of the classes evolved during the war and has proven extremely useful in postwar police duties on outlying stations. All submarines are of the conventional type, although all are being fitted with snorkel; some others are to be reconstructed along the lines of the US "Guppy" type. The Royal Navy has its own naval aviation; the carrier and attached air squadrons are widely regarded as having supplanted the battleship as the principal striking weapon of the fleet. For a total of some 160 naval aircraft in front line operation there are over 2,000 in the naval organization and more than 300 in long-term storage. The Admiralty hopes in ten years to increase front line strength to 350.

Naval construction has greatly slowed down since the war. Work is proceeding at a leisurely pace on two large aircraft-carriers, 4 light aircraft-carriers, and 8 destroyers. They are left-overs from wartime programs. No postwar program of construction has been announced to date.

e. Amphibious Forces.

In Great Britain amphibious warfare is known as "combined operations" under the direct control of the Minister of Defence. The "Chief of Combined Operations Staff" heads a joint command composed of elements drawn from all three armed services, and is mainly concerned with planning, development and training. Although the present Chief of Combined Operations Staff is a Royal Marine General, there is no requirement that this billet be filled by a Royal Marine, and it is possible that the command will rotate between the three services.

f. Principal Naval Bases.

(1) *Portsmouth*—major operational and maintenance base; building yard for cruisers, destroyers, submarines; also conversion, refit and heavy repair of all warships; drydocking facilities; research, experiment and training facilities; principal naval personnel entry depot for Royal Navy; fleet logistic facilities; Headquarters, CinC Portsmouth and Headquarters of Portsmouth Group, Royal Marines.

(2) *Portland*—destroyer operating base and dockyard; primarily an operating base but capable of repair and refit of destroyers and below.

(3) *Devonport*—major operating and maintenance base; repairs, conversion and refit of all classes of warships; principal naval personnel depot; logistic facilities for maintenance of large fleet; Headquarters, CinC Plymouth, and Plymouth Group, Royal Marines.

(4) *Chatham*—major operating and maintenance base; repairs, conversion and refit of warship classes through cruisers; destroyer operating base; new construction yard for submarines; principal naval personnel entry depot; Headquarters CinC, Nore and Headquarters Chatham Group, Royal Marines; complete fleet logistic facilities.

(5) *Rosyth*—operating and maintenance base; repair yard for all classes of warships; logistic facilities sufficient for local forces; destroyer operating base; Headquarters of Flag Officer Commanding, Scotland and N. Ireland; fueling base for naval forces operating in area.

(6) *Malta*—operating and maintenance base; Headquarters of CinC, Mediterranean; major fleet operating base; repairs can be made on all warships through light cruiser classes; logistic facilities for Mediterranean Fleet, large fuel capacity.

(7) *Gibraltar*—operating and maintenance base; capable of making all repairs on classes of warships through cruisers; major repairs can be made on capital ships (except those in-

volving plate manufacture); general logistic support for ships in transit.

(8) *Trincomalee*—operating base; Headquarters of CinC, East Indies; repair facilities for ships through destroyer classes; fuel and logistic facilities for East Indies forces.

(9) *Singapore*—major operating and repair base; Headquarters of CinC, Far East and Flag Officer, Malaya; Naval Operating Base, heavy repair facilities for all classes of warships but badly damaged during World War II; very little repair work accomplished in 1948-1949.

(10) *Hong Kong Dockyard*—operating and repair base; capable of repair work on all classes of vessels through cruisers; facilities are not fully operational; operating base for Far East Station Forces.

(11) *Bermuda*—operating and repair base; Headquarters of Americas and West Indies; dockyard is capable of repairing vessels through cruisers; logistic facilities sufficient to maintain small naval forces.

(12) *Simonstown*—operating and repair base; Headquarters of South Atlantic Station; dockyard is capable of repairing vessels through cruiser classes; logistic facilities sufficient to maintain small naval forces.

g. Personnel.

The personnel strength of the Royal Navy is currently around 145,000 men of which approximately 108,000 are attached to general service, 16,000 in Naval Aviation, 13,000 in the Royal Marines, and 7,000 in the WRNS. The organized Naval Reserve numbers approximately 45,000 men, and in addition, there are an estimated 200,000 naval veterans of World War II who could be considered as eligible for service in the event of emergency. This latter figure, however, is subject to diminution with the passage of time. The reserve training program has been rather disappointing to date. The Royal Navy differs from the United States Navy in the degree of specialization entered into by both officer and enlisted personnel. The Executive Branch of the service corresponds generally to the "Line" except that the Royal Navy places the engineering duty in a specialist category, and the only officers who may exercise command over personnel other than in their own branch of service are those belonging to the Executive Branch. Royal Naval officers are mainly procured from graduates of the Royal Naval College, Dartmouth, and the Royal Naval Engineering College located at Plymouth. Opportunity is also afforded to enlisted personnel to receive commissions from the ranks. Enlisted personnel are mainly volunteer, though with the passage of National Service Act the navy expects to procure some 10,000 men per year by conscription. Personnel morale is fairly high considering the economic conditions which affect service conditions in the navy.

h. Mobilization.

A mobilization plan is being formulated by the Naval Staff of the Admiralty but to date complete mobilization information is not available pending the results of studies being conducted. The Royal Navy would be able to mobilize approximately 100,000 men the first month to six weeks after declaration of hostilities. Beyond this, the matter is still in a state of flux.

i. Effectiveness.

The Royal Navy is qualitatively and quantitatively superior to any other European navy and is the nucleus around which naval defense of Western Europe is being constructed. Though reduced in size from that existing in the past, it is, comparatively speaking from the naval standpoint, stronger than in prewar days because of the disappearance or reduction of potential naval enemies. Any change in the effectiveness of the Royal Navy will result from a change in the economic status of the United Kingdom.

Army

a. Manpower.

The army suffers greatly from manpower difficulties, both short-term and long-term. Economic crises at home and unexpected commitments abroad, particularly the prolongation of occupational duties, have upset short-term planning which envisaged a slow and orderly demobilization in consonance with the anticipated reduction in manpower needs to be met in a period of peace. The long-term plan contemplated that interim army commitments could be fulfilled by superimposing periodically on a Regular element of some

200,000 a slightly lower number of new conscripts who, after 18 months of active duty training and service, would transfer to the Territorial Army (similar to the US National Guard) for four years part-time obligation and thus build up by mid-1954 a continuously available trained reserve of about 600,000. As international tension and prolonged occupational duties have been unexpectedly injected into this interim period, the diversion of some 50 percent of the Regular Army to train continuously the influx of peacetime conscripts is causing much disquiet. A further problem arises out of failure of volunteer recruiting for the Territorial Army to provide needed cadres to receive the flow of conscripts from the active army to commence in June 1950. But more importantly there are now emerging implications of new and large commitments under Western Union and North Atlantic Pact strategic planning, commitments the UK will not be able to satisfy with troops unless manpower policy is again revised. Until concrete planning is possible the army's size will continue on an *ad hoc* basis. Current thinking views a figure of about 390,000 by early 1950 as compared with the present size of 405,000 (180,000 Regulars; 215,000 Conscripts; 10,000 Women) and a 1938 strength of about 198,800.

While the quantity of manpower is a source of continuous concern to the army, it is also suffering from qualitative weaknesses. The majority of those volunteering are fitted only for infantry duties and not for technical billets in armored, signal and artillery units, and these elements are improperly and insufficiently filled.

b. Equipment.

An inventory of stocks on hand indicates that the Army could equip:

2 Armies
5 Corps
1 Airborne Division
10 Infantry Divisions
5 Armored Divisions
21 Heavy AA Regiments
82 Light AA Regiments

Geographic dispersal and uncertainties as to spare parts and state of repair indicate a lesser number of effective elements. Such equipment would be of World War II types; present production for rearmament is very modest and pointed more toward maintenance of industrial techniques and prevention of stock exhaustion than toward build-up. The army expects to exist largely from this equipment for five to ten years. A vigorous research and development program is underway, but few new designs have taken shape; highest priority is devoted to anti-aircraft artillery and associated fire control equipment.

c. Disposition (July 1949).

Area	*UK Troops*	*Colonials*	*Armies*	*Divs*	*Brigs**	*Regts***	*Bns*
United Kingdom	234,000***	...	..	..	39	28	18
Germany	60,000	...	1	2	1	7	4
Austria	7,100	...	..	..	..	..	4
Trieste	5,100	...	..	..	1	..	..
Gibraltar	3,500	...	..	..	..	2	1
Malta	1,100	1,900	..	..	..	3(2)	..
Greece	5,000	...	..	..	1	..	1
Cyprus	3,300	300	..	..	..	..	1
Libya	15,000	3,500	..	1	..	3	..
Egypt	30,000	8,000	..	..	1	5	1
Sudan and Eritrea	1,800	...	..	..	..	..	2
East Africa	7,500	25,500	..	..	..	2(2)	10(8)
West Africa	1,700	14,500	..	..	..	1(1)	9(9)
Aden	150	...	..	..	..	1	..
Transjordan	1,500	...	..	..	1	..	..
Malaya	19,000	20,000	..	..	1	3(1)	10(7)
Ceylon	500	300	..	..	..	1(1)	..
Hong Kong	3,500	2,100	..	..	2	1	..
Caribbean	1,000	600	..	..	..	..	2(1)
India	240	300	..	..	..	..	..

c. *Disposition* (July 1949)—*Continued.*

Area	*UK Troops*	*Colonials*	*Armies*	*Divs*	*Brigs**	*Regts***	*Bns*
Pakistan	470	...	..	..	..	..	..
Miscellaneous	3,540	...	..	..	..	..	..
Total	405,000	77,000	1	3	47	57(7) ****	63(25) ****

* British nomenclature; includes 38 Antiaircraft Brigades in the United Kingdom.
** Armored and Artillery Regiments (British nomenclature).
*** Includes about 4,000 reinforcements enroute to Hong Kong.
**** Figures in parentheses refer to Colonial units and are included in total.

d. Fighting Value.

Present combat effectiveness of the army is low for a variety of reasons, involving manpower problems and current employment, but its fighting value is potentially high. The major portion of the Regular Army is engaged in training conscripts and is not ready for operations. In occupied Germany, where most conscripts are trained, only the most limited operations could be attempted. Elements in the Middle East contain a high proportion of Regulars and are almost operational while those in the Far East are all Regulars and operational. Morale is adjudged good under prevailing circumstances; leadership remains enlightened and resourceful; staff work is excellent. In case of emergency the army could reorganize with reasonable speed and efficiency, and draw on an immense pool of battle-trained veterans.

e. Policy.

The army is committed to continental deployment in support of Western Union strategy, but reservations derive from other requirements such as the defense of the Middle East. It is assuming the initiative in organizing the diverse elements involved. It looks to the US for ultimate logistic support to Western Union defense objectives and is endeavoring to attain maximum practical standardization of equipment. It does not, however, discount the very considerable capacity of UK industry to supply army needs and is pursuing extensive independent research and development programs in weapons and doctrines. The army foresees no major alteration in the principles of strategic employment of armies but is carefully examining wartime experience against the background of envisaged weapons for future tactical application. Cooperation and assistance in many forms are extended to Dominion armies and to other friendly nations likely to add to UK war potential.

Air Force

a. Manpower.

With a planned reduction from a current strength of 219,900 to 213,000 by April 1950, the RAF suffers from a dearth of technically qualified personnel, which is a major concern of the UK defense organization. Current strength is divided as follows: (1 July 1949)

Regulars	*Conscripts*	*Women*	*Total*
114,200	90,900	14,800	219,900

The low percentage of male Regulars, the low proportion (50 percent) of these Regulars with more than three years' service, and the effort necessary to convert Regulars and to train conscripts in jet performance and maintenance, denote operational limitations for which no remedy has become apparent. The conscript does not meet manpower requirements of the RAF; his contribution during eighteen months of rudimentary training does not counterbalance the drain on potentially operational manpower to administer the programs; whatever aeronautical knowledge he acquires on active duty can be maintained only by participation in active reserve units; persons eligible for conscription who possess basic education and skills adaptable to technical progress in eighteen months of RAF training are in high demand in UK industry. Still, 37 percent of total manpower of the RAF is assigned to the Technical Training Command where conscripts are trained in technical matters and the Regular is required to master three separate trades. The jet age of the RAF will require major concessions from the UK economy before its latent effectiveness per man can be realized.

b. Aircraft.

All Home Command day interceptor squadrons have been equipped with Meteor or Vampire jets; improved models of these aircraft will continue to appear. The P-1040 (Attacker F. 1) will probably appear operationally in Naval Aviation late in 1950. Long-range fighter and ground attack roles now filled by the conventional-engined Hornet and Tempest will both gradually be assigned to the Vampire V. The Mosquito remains the standard night fighter. However, development work in jets is under way, and a night fighter version of the Meteor or the Vampire may appear operationally in 1951. Now that problems of interceptor requirements are apparently solved, the emphasis has moved to the development of bombardment-type aircraft to replace the Lincoln and the light-medium Mosquito. The British bomber program appears to be well organized and balanced. The original plan of the RAF was to develop three jet bombers with combat ranges of 4350, 3350, and 1500 miles. Experienced re-evaluations have resulted in many changes in priorities and performance requirements, but the situation now is: (a) a flying scale model, the B8/47, has been authorized for the 4350-mile type; (b) a development contract has been let for two prototypes of the 3350-mile type, the B9/48, though it does not meet altitude and speed specifications; (c) the 1500-mile type has been replaced by a 1000-mile bomber, the B5/47, which is committed to production. In addition an interim jet bomber of 2600-mile range, the "Insurance" or B14/46, is being developed, which is of sufficiently conventional design to permit production straight from the drawing-board in case of need.

Reciprocating engine development for the RAF is several years behind that for the US, and the Shackleton, the new long-range reconnaissance aircraft for coastal command, is powered by uncompounded Rolls-Royce "Griffon" engines.

c. Armament.

The recoilless gun for fighter aircraft has been dropped in favor of either four 20mm guns with ammunition for fifteen seconds or a 20/30mm mount giving ten seconds of hypervelocity fire; current favor is toward the former but specifications continue to allow for possible change-over to the recoilless gun.

d. Electronics.

The anticipated complete conversion to jet types has led to serious reservations about committing future electronics installations for aircraft pending a determinate analysis of the space weight-performance compromises. Airborne radar interception for fighters is definitely scheduled but the new 20-mile set to replace present 7-mile performance will not be ready until 1955. Bombers will carry tail warning radar. Navigation electronics seem well in hand, but target-marking techniques and equipment and GCA programs are either very fluid or marking time. The RAF will not accept airborne early warning radar but bases its future plans firmly on ground-controlled detection and interception. Air defense plans envisage up to 100 simultaneous interceptions at altitudes up to 60,000 feet at minimum ranges of 150 miles from the coast with initial detection ranges out to 300 miles, backed by a 50-mile radar carpet over the vital portions of the country; enemy altitude determination and IFF problems connected therewith are far behind requirements.

e. Disposition.

	Medium Bombers	Light Bombers	Fighters	Recon-naissance	Transport	Liaison	Total
UNITED KINGDOM							
Tactical Sq.	14	10	24	11	17	2 flights	76+2 flights
Aircraft in Tactical Sq.	96	64	192	95	136	10	593
GERMANY							
Tactical Sq.	..	4	5½	½	.	2 flights	10+2 flights
Aircraft in Tactical Sq.	..	32	88	8	..	10	138
MEDITERRANEAN							
Tactical Sq.	..	2	7	3	5	2 flights	17+2 flights
Aircraft in Tactical Sq.	..	16	104	24	40	10	194

e. Disposition—Continued.

	Medium Bombers	Light Bombers	Fighters	Reconnaissance	Transport	Liaison	Total
FAR EAST							
Tactical Sq.		1	2	4	3	1	11
Aircraft in Tactical Sq.		12	16	23	24	20	95
GRAND TOTAL							
Tactical Sq.	14	17	38½	18½	25	1 Sq.+6 flights	114+6 flights
Aircraft in Tactical Sq.	96	124	400	150	200	50	1020

f. Fighting Value.

Because of budgetary considerations, varying degrees of emphasis have been placed on component commands of the RAF with first priority having been given to Fighter Command. Aggressive emphasis on development of the Fighter Command interception capabilities has produced in the UK a creditable control and reporting organization and a fairly well-trained force of jet interceptors. There is no doubt that RAF interceptor capabilities are qualitatively unsurpassed, but Fighter Command should not be considered ready to deal with saturation attacks. The Royal Auxiliary Air Force is not yet a calculated part of RAF defense potential, though squadrons are being equipped with jet fighters as rapidly as ground crews can be recruited.

The Bomber and Coastal Commands in the UK, and all overseas commands, with exception of fighter units in Germany, possess only a slight capability beyond that available to the same number of aircraft at the close of World War II.

Now that the capabilities of the Fighter Command have been built up, Bomber Command will receive additional emphasis. During recent exercises the inadequacies of both personnel and aircraft of the Bomber Command have been brought to the attention of the RAF planners and, as a result, Bomber Command will receive a higher priority. While it cannot be said that the Coastal Command is neglecting anti-submarine research and development, programs are necessarily subordinate to those for fighters and bombers. Practically all World War II aircraft in reserve are in open storage and deteriorating rapidly. Nearly all commands outside the UK are at full strength of World War II types of aircraft. However, some commands are equipped with postwar jet fighters.

g. Policy.

The policies of the RAF are determined partly by a basic decision to concentrate on the air defense of the UK itself. It was the overriding requirement for a high-speed, high-rate-of-climb, pure interceptor which determined all-out concentration on turbine-jet engine development even though the further development of the reciprocating engine had to be abandoned. The RAF is committed to the strategical objectives of Western Union air defense plans, a development very welcome to the air force command which has long recognized the value of extending the outer defense arc without loss of the ability to contract it when necessary. There is some reservation, however, to restricting the supply of jet equipment and techniques to other Western Union countries because the policy would sharply reduce the export potential elsewhere; the RAF has always depended a great deal on its aeronautical exports to finance research, and returns from former conventional engine exports are diminishing. There is considerable export activity in jet aircraft to non-Western Union countries at present which will be curtailed when it becomes necessary. It appears likely that the RAF will assume full responsibility for coordinating the training and equipping of all Western Union air forces. The policy of close liaison and coordination with the USAF will be continued.

Colonials

Today's active colonial military manpower of 77,000 by contrast with a prewar strength of 43,000 indicates the new importance attached by the UK to its empire defense po-

tential. This importance may be attributed to:

(a) Manpower and financial stringencies of the UK;

(b) Increased strategical exposure of remaining Middle East bases creating a new interest in African bases which are near the largest sources of Colonial manpower;

(c) The gratifying World War II record of Colonial forces.

4. Mass Destruction Weapons.

The use of atomic energy has first priority for the expenditure of British manpower and material devoted to research and development. This priority is established more in order to solve long-term industrial and economic problems than to develop military capabilities, but atomic weapons are also under development.

The UK possesses the capability of conducting large-scale, sustained chemical warfare, employing standard World War II equipment with improvements paralleling closely those of the US, including the use of captured German "G" nerve gases.

Biological warfare is considered primarily as a weapon for strategic use by the RAF. Present research and development objectives are not likely to materialize prior to 1957, although this date could be advanced if manpower and equipment shortages were overcome. The UK is at present incapable of waging BW or of protecting itself from its effects.

To maintain progress in developing weapons of mass destruction it has been decided to concentrate on basic research instead of on endeavors to refine known methods and equipment. Details of the organization for high level control and supervision of this research and development are shown in ORE 16-48. Once objectives and priorities are established the Ministry of Supply administers the production programs to meet agreed requirements.

5. War Potential.

Manpower

a. Organized Reserves.

The very modest plans of the reserve organization for fiscal 1950 (tabulated on the next pages) represent for the most part reductions in the goals announced in September 1948. These reductions probably reflect a decision to bring announced targets into line with recruiting rather than a change in the desired levels. General war weariness, poor inducements, and an apparent feeling of "they know where I am if they want me" are the reasons for the unsatisfactory situation. Faced with a more visible danger to national security, however, the reserve manpower could be expected to respond adequately.

b. Potential Total Military Manpower.

Present distribution of Britain's males in age bracket 15-50 (1 May 1949) is:

Armed Forces	738,000*
Trained Reserves	4,729,000
Fit but untrained	4,043,000
Unfit	3,070,000
Total	12,580,000

* Excludes an estimated 7,000 armed forces personnel 50 years of age and over, and approximately 32,000 personnel in the Women's Components.

A downward male population trend of about one-half million per ten years in bracket 20-34 plus foreseeable needs for increased manpower for wartime defense of the UK itself indicate that Britain may not be able to muster as many combat forces as in the past. However, it is believed that in an early emergency the UK could mobilize the peak strength achieved in World War II, 5,200,000. The quality of manpower and woman power is high in adaptability, dependability and, for about ten years, will continue possessed of wartime experience.

c. Colonial Potential.

In World War II the Colonies contributed 556,577 ground troops and about 15,000 seamen to the Commonwealth effort. The record of the Colonials in that war left no doubt as to their fighting value when properly equipped, trained and led. By continuing programs for sociological and economic advancement in the Colonies the UK anticipates a larger proportion of useful military manpower will be available from a total population of 60 million.

NAVY RESERVES

Name	1949/50 Budget	Description	Authorized establishment	1949/50 Target Strength	Actual Strength	Remarks
Royal Fleet Reserve	$2,000,000	Certain Ex-Naval and Marine ratings who volunteer to join within 5 years of discharge from RN; no periodic training now because of recent war experience.	None specified	25,000	17,000 (Sept. 48)	Intake of 700/month increased in Sept. 48 to 1000/month.
Royal Naval Volunteer Reserves	1,060,400	Organized on Territorial basis in 12 Divisions, including 4 air squadrons; obligatory part-time service for both officers and ratings.	1,830 officers 12,890 ratings	1,830 officers 5,000 ratings	3,241 (15 Jan.)	
Royal Naval Reserve	524,000	Officers and men of Merchant Marine; no drills or training.	2,000 officers 10,000 ratings	1,900 officers 3,500 ratings	c. 500 Unknown	Only a limited activity now because most entries and re-entries had war service.
Royal Marine Force Volunteer Reserve	152,000	Corresponds to RNVR	Interim 200 officers 1,300 other ranks	Same as interim establishment	199 total (15 Jan.)	Newly created branch; establishment to be increased.
Royal Naval Volunteer Supplementary Reserve	none	Officers who perform no training but will serve when called upon.	No information			
Royal Naval Emergency Reserve *Royal Marine Emergency Reserve*	none	Ex-Naval and Marine ratings not having joined other Reserve organizations.	Not fixed	50,000	Unknown	Considerable activity to bring addresses of these men up to date to facilitate emergency mobilization.

AIR FORCE RESERVES

Name	1949/50 Budget	Description	Authorized establishment	1949/50 target strength	Actual strength	
Royal Auxiliary Air Force	$1,392,000	Raised and maintained on a territorial basis as an operational reserve to be ready for immediate action with RAF; non-continuous week-end training plus 15 days active duty; flying personnel required to perform 125 hours flying per year.	20 Flying Squads 20 RAF Regiments 26 Air Defense Units	1,350 Off. 18,650 Airmen 20,000	4,459 (15 Jan.)	Flying squadrons divided= 13 day interceptor 3 night interceptor 4 Light Bomber currently restricted by ground crew shortages. RAF Regiments provide air field defense; Air Defense units are the control and reporting organizations.
Royal Air Force Volunteer Reserve	2,296,000	Officers and airmen who served in mobilized RAFVR during last war and now rejoined; non-continuous week-end training plus max. of 15 days active duty; 40 hours flying time per year.	not fixed	7,300 Off. 17,700 Airmen 25,000	3,509 (15 Jan.)	
Royal Air Force Reserve	168,000	Officers and airmen transferred thereto after active duty service; may be required to perform maximum of 15 days active duty each year.	not fixed	1,000 Off. 1,000 Airmen 2,000	Unknown	This organization will probably absorb most conscripts after their discharge from active RAF duty to part-time 4-year obligated service.
Royal Observer Corps	380,000	Uniformed civilian organization trained to identify and report aircraft.			14,000	57 full time officers provided for; others are spare-time volunteers.

ARMY RESERVES

Name	*Description*	*Actual Strength (as of 1 April 49)*
Territorial Army	Part-time reserve to provide from outset a large part of ground defense of UK against air attack and to provide a second line for the active army and a basis for its expansion. To be filled by volunteers until conscripts commence obligated 4-year service in July 1950	70,941
Royal Army Reserve	Ex-Regular Army personnel in several categories entailing varying degrees of training and liability for active service	44,042
Supplementary Reserve	Technicians and specialists accepted on volunteer basis in categories entailing varying degrees of liability for active service	737
Class "Z" Reserve	Demobilized war veterans	2,637,831
Class "W" Reserve	War veterans who were demobilized before their normal release date in order to enter essential occupations	234,408
Officer Reserve Components:		
Regular Army Reserve of Officers	Former Regular Army Officers	6,252
Territorial Army Reserve of Officers	Former Officers of the Territorial Army	3,207
Supplementary Reserve of Officers	Former Officers of the Supplementary Reserve	583
Unemployed List	Former Officers who served in war emergency commissioned status	190,911

Economic

a. Natural Resources.

Natural resources are very limited. The UK can produce no more than two-thirds of its own food requirements; it has adequate coal and low-grade iron ore. All other strategic materials have to be imported in whole or in part. Empire requirements were largely met in local areas during the last war, as planning had been aimed to make the sterling area self-sustaining.

b. Industry

If it is provided with raw materials and protected from serious damage, British industry can produce most military equipment on a scale more than sufficient for its own forces. It needs to import certain technical equipment for which mass production facilities do not exist. In the last war the UK produced 70 percent of all munitions used by the Empire and Commonwealth armed forces, plus substantial quantities sent to its allies. Machine-tool and die-manufacturing capacity, while large, is not sufficient to meet entire wartime needs, and imports of machine tools are depended on to some extent. Being a highly industrialized nation, the UK has the necessary technically skilled manpower.

During the last war the UK became adept at conversion of existing facilities to increase military production, and it can be assumed that similar action would be taken again in case of need, probably much more quickly. One of the chief factors of increased production in the last war was the letting out of subcontracts to thousands of small firms scattered all over the country. This also provided a certain amount of protection through dispersal.

c. Finance.

The UK has sound budgetary fiscal policies and now achieves a budgetary surplus. Although the internal debt is large, this would not be a barrier to successful internal financing of a war. But the British Commonwealth and Empire do not have sufficient material resources themselves for fighting a full scale war against a major power, and would have to obtain such resources from other parts of the world. Because of the liquidation of overseas investments, unfunded overseas debts of the last war, and minimal gold and exchange re-

serves, the UK would be severely limited in its ability to buy or to finance these purchases.

Science

a. Competent Scientific Manpower.

The manpower shortage extends to the scientific field and, although British scientists are technically competent, their shortage is the cause of much concern and study on the part of government planners. It appears that there will be sufficient "pure" scientists to meet the expected demands in the UK and Colonial Service of 70,000 in 1950 and 90,000 in 1955, but the need for technologists to apply the pure science is very urgent and not fully filled, for the UK has never had schools similar to the Massachusetts and California Institutes of Technology. Efforts are being made to remedy this deficiency, but it will be a long-term project. Present distribution in government agencies of scientific manpower between defense and civil requirements (roughly 5,500 to 13,700) is not considered out of line by the government.

b. Funds and Facilities.

Recognizing that scientific research is a vital factor in both the present and future security and economy of the nation, the government has made every effort to foster it and has shielded it as much as possible from financial and other restrictions imposed by the recovery program. It does not follow that funds for research are unlimited; many projects have been restricted on this account; others have suffered from personnel and/or plant inadequacies, although British scientists are accustomed to "make do" with equipment which their American colleagues would consider inadequate to primitive. However, it is the clear intention of the government to continue emphasis on research and development, including the defense aspect, and considerable progress has been made in plant facilities for atomic energy, on plans for expansion of microbiological and chemical work, and on special testing equipment in the aeronautical and guided missile fields, as well as in purely industrial pursuits. Dominion cooperation has proved an important factor. Annual Commonwealth Conferences on defense science have tackled problems of coordination of research and prevention of duplication in order to achieve a maximum return for personnel and money expended.

For some time to come the British scientific effort will continue to be stronger in basic research than in technological application. Varying degrees of shortages of personnel, funds, and facilities in different programs will restrict the quantity of work accomplished, but the quality will undoubtedly be of the high caliber for which the UK is noted. The best use of this potential will derive from close integration and continued cooperation with Commonwealth and American defense research projects.

c. Guided Missiles.

The UK is conducting research and development on all phases of guided missiles; present emphasis is on fundamental design, and production of an operational weapon is not expected for about ten years. Assigned a lower priority than atomic energy or biological warfare, the guided missile program has also been handicapped by the shortage of technical manpower. Efforts are being made to initiate industrial participation in this field, and Dominion contributions should prove of considerable value.

d. Electronic.

Although the UK continues to hold the highest position outside the US in electronics research, available manpower and facilities are inadequate for the scope desired in this field. Government establishments and industry are therefore handicapped in meeting Service requirements, the chief of which are concerned with advanced air defense radar equipment, estimated to be at least five years from production.

Shortage problems compound themselves in that understaffing leads to a longer development period for new equipment, which in turn necessitates modification of existing equipment as an interim measure. Apart from these problems, UK electronic production capabilities will remain about one-third those of the US.

e. Atomic.

The British have two atomic piles in operation; a very small one for testing purposes, and a more powerful one devoted primarily to

basic experimental research and isotope production for medical research and export. There are over twenty particle accelerators in operation or under construction in the UK. Basic research is being vigorously prosecuted at several universities, in government laboratories, and by large commercial firms. Although the government has stated that atomic weapons are being developed, nuclear energy for industrial power has received major emphasis.

Allotted one of the highest priorities in the research and development field, and primed with an appropriation of £30 million ($121 million), the atomic energy program has suffered mostly from delays in plant construction and/or expansion imposed by the economic crisis. Britain has the industrial capacity to produce most of the necessary equipment for atomic energy work. Raw materials, as well as some experienced scientific personnel, are available from the Dominions, several of which are also undertaking atomic research.

f. Chemical Warfare.

Within the limits imposed by shortage of funds and skilled personnel, a small but competent scientific staff is carrying out both offensive and defensive CW research. Appreciable stocks of flame, smoke, and other CW material are stored in the UK today together with the majority of required raw materials, and manufacturing facilities are in being. The stocks consist of what were available or developed during the last war, and are regarded as interim insurance or retaliation capability until new weapons indicated by present research and development can be put into production in an estimated five to seven years.

Research and development is carried on in government establishments, and manufacture of CW agents is handled chiefly by the large chemical industries in the UK. While capable of considerable expansion, if necessary, production could not operate on a scale comparable to that of the US.

There is complete coordination of effort among the UK, Canada, and the US in CW research, development, and planning for production.

g. Biological Warfare.

Aware of the potential military value of BW, the British have given their offensive and defensive research and development program in this field equal priority with atomic energy work. Although limited by the chronic shortages of funds, staff and facilities, the highly qualified group of scientists comprising the BW organization have made considerable progress. Steps have been taken to increase the personnel, and new facilities are being constructed for a broader scope of investigation and greater production. The latter will be on a pilot scale only, as BW research is still in the primary developmental stage and a great deal of work remains to be accomplished. The general aim is to bring into service by 1957 biological weapons comparable in strategic effect to the atomic bomb, and to develop defense measures against them.

The close wartime cooperation among the UK, Canada, and the US has been continued, involving exchange of information and liaison among the scientific and technical personnel. While British efforts and production are unlikely ever to achieve parity with the US in quantity, the quality will remain very high.

CHAPTER V

STRATEGIC CONSIDERATIONS AFFECTING US SECURITY

The UK is, by a vast margin, the most valuable and dependable of the allies of the US. British cooperation is immensely valuable for political and economic, as well as strictly military, reasons. While Britain's present economic condition is expected to require US buttressing at least through 1951—as the only alternative to a serious reduction in its international commitments and internal stability—the cost to the US in exchange for a strong and highly cooperative Britain is considered to be low.

1. Military.

The British armed services, apart from colonial formations, have a qualitative fighting value comparable to those of the US. No other ally at the present time approaches this standard. Quantitatively, the British forces are weak relative to their commitments and presently lack the capability to engage successfully in large-scale operations; they are capable, nevertheless, of rapid expansion if provided with adequate equipment.

US-UK military cooperation is comparatively easy to maintain. In operational and scientific research and development the British are continuing to make important advances which compare with or are supplemental to US progress in similar fields, and which are largely available to the US. The end-products of British intelligence continue to be valuable to the US.

The immense importance to US security and strategic plans of British or British-controlled or British-influenced strategic areas, extending from the UK itself through the Eastern Hemisphere, must also be appreciated. These key points, for which no satisfactory substitutes could be readily developed, are available to US forces so long as the UK retains its power over them and the UK Government remains cooperative with the US.

British initiative and leadership in military developments under the Brussels Treaty are apparent.

2. Economic.*

The UK will continue to require US economic support at least through 1951. If US aid were withdrawn prematurely, however, an alternative means of coping with its present economic weakness would be for the UK to reduce its overseas commitments, the size of its armed forces, and its defense budget. (The British standard of living cannot be reduced much further in peace time without sacrificing political stability, nor is it politically possible appreciably to cut back the domestic social services). Such moves would have direct adverse consequences to US security; they would require an immediate reassessment of US security requirements, and either an immediate increase in international strategic commitments with an accompanying increase in the costs of defense, or the acceptance of highly increased security risks. Probably complicated political problems would likewise emerge for the US in connection with the necessary strategic adjustments abroad. On balance, wisely calculated US economic support for the UK clearly lowers the direct costs of US security and obviates numerous political complications which would spring from British retrenchment. There is, moreover, reason for modest optimism that the UK will succeed in restoring viability in the early 1950's, assuming the continuance of the planned ECA aid, general economic cooperation, and no outbreak of war, without having to resort to further serious retrenchments affecting the strategic situation.

* This section was drafted early in 1949. For a further development see ORE 79-49 "US Security and the British Dollar Problem" (Confidential), 31 August 1949.

As in the past, British industry is capable of rapid conversion to the large-scale production of high quality war materiel, although steps to this end would require economic support from the US. The UK is depended on for certain arms by numerous countries including the Commonwealth nations, and the British munitions industry is making important contributions to the Brussels Pact forces.

British colonial territories are a source of raw materials important or vital to the US industrial economy. These Empire resources are of course important also to the UK as dollar-earners; nevertheless, the US is receiving a full measure of cooperation in the supply of the commodities and in the expansion of their production where necessary, although the latter entails for the UK a risk of encouraging over-production.

The UK is likewise cooperating with the US policy designed to deny the USSR and the Satellites British products which have direct military value, and to limit the sale to them of products having indirect strategic uses, though the British list is more restricted than that of the US.

3. Political.

British influence in greater or lesser degree extends over much of the world beyond the dependent empire. This influence is overwhelmingly exerted toward ends which serve the interests of US security. Although the British Commonwealth is composed of independent states, the UK often leads the thinking of the dominions and on most issues is usually consulted by them. The British military planners consider the white-governed dominions as presumptive allies in war, and military ties with the Asiatic dominions are very close.

Laborite Britain is particularly influential with the European non-Communist Left, which participates in or controls most western European governments and is believed to enjoy widespread passive support in Eastern Europe. British policies therefore tend to be less suspect and more proof against propaganda distortion than those of the US. It follows that Anglo-US policies are likely to be more acceptable in Europe than exclusively US policies.

The UK has long enjoyed a pervasive influence in the Middle East. This may have been seriously undermined by developing nationalisms and by Britain's relative decline as a world power, but a substantial measure nevertheless remains. It is clear to the Arab states that of the Big Three the UK is most cordial to their aspirations. Their military equipment and training are British. Three of them are allied to the UK. One is outrightly subsidized. The British, moreover, have extensive economic power in most of the area.

The fact of US-UK unity is one of the several major deterrents to Soviet aggression. That the USSR recognizes the power of this *entente cordiale* is apparent in its postwar propaganda, a principal aim of which has been to create a US-UK rift. The effect of this propaganda on the British has been negligible; the major political parties, with broad public support, favor close relations with the US.

CHAPTER VI

PROBABLE FUTURE DEVELOPMENTS AFFECTING US SECURITY *

The present strategic considerations will probably continue to exist during the next few years with little appreciable change, provided that (1) large-scale war is avoided; and (2) US economic support is in any event not prematurely withdrawn.

1. Military.

The Labor Government appears at present determined that no substantial reductions shall be made in appropriations for the military establishment. This determination will certainly be tested, for there are many voices on the left to demand that cuts in governmental expenditure, which now appear to be inescapable, shall be made in the military establishment and in the maintenance of strategic commitments rather than in the social services, the food subsidies, or other popular expenses. It is believed that the Labor Cabinet will not yield to these demands, however; a Conservative administration would be even less disposed to do so. Various economies may nevertheless be expected, and expansion is virtually out of the question. Should future economic conditions become disastrously bad, the armed forces would of course be involved in the general retrenchment.

The UK will continue the present high degree of military cooperation with the United States. Britain's irreplaceable bases on the Eurasian perimeter and elsewhere will continue to be available for US use; if danger threatens any of them, as it currently does Hong Kong, the British will be likely to request at least moral support from the US, and if the situation should grow worse they would probably ask for material assistance in the particular localities involved.

An important level of military research and development will be maintained, though it cannot be given unrestricted scope because of the inability of the country's economy to support expensive projects. The fighting value of the services should remain qualitatively high, but in terms of numbers and equipment they will be weak relative to their overseas commitments and presumptive enemies.

2. Economic.

Though the British have finished the first stage of their postwar economic history, that of recovery from the direct effects of war, they face the much more difficult problem of adjusting their economy to the changed world trading conditions of the mid-twentieth century. The problems of this adjustment have been indicated in earlier pages; they are of long standing, and at present it is open to question whether the 1952 goal of viability will be fully attained. If progress toward this end is not maintained, and extraordinary US aid is not forthcoming, the British will probably be driven to apply themselves to the consolidation and expansion of a non-dollar trading area, comprising the British Empire and Commonwealth (save Canada), together with such other countries (with their overseas dependencies) as have a recalcitrant dollar problem of their own. The members of such a group would perforce practice discrimination against the dollar; their own transactions would probably be conducted in sterling. Such a program would certainly be disadvantageous for US trade and contrary to US commercial policy; nevertheless it would offer probably the best possibility of stabilizing British economic life, furnishing a substantial basis for continuing British power, and to that extent contributing to US security. It would

* This chapter redrafted 15 September 1949.

doubtless be attended by a considerable degree of Anglo-US friction, but it would leave unaffected the relations between the two countries with respect to the highest matters of international policy; the unity of US-UK strategic attitudes would not be altered. In matters of detail, even of important detail such as that of East-West trade, however, British policy would certainly tend to deviate from American as the two economic systems diverged.

British industry will remain capable of conversion to arms manufacture on a large scale, although it would require US support and be vulnerable to intensive air attack. There are indications that some encouragement is being lent industrialists to establish elsewhere in the Commonwealth plants capable of armament production.

3. Political.

No major deterioration in the extent of British influence in the world is expected in the near future. This wide-reaching influence will continue to be exerted largely toward ends which serve US interests as well as British. However, fluctuations in British power will follow very closely fluctuations in Britain's economic condition. Serious economic decline—unchecked by US aid—would result in a reduction of the British will and ability to support not only present defense efforts but important overseas commitments and a vigorous anti-Communist policy abroad. The US would be virtually forced to fill the vacuum left by British withdrawals and to exert the influence which in many parts of the world is now competently exerted by Britain. At the present time the minority groups which have advocated a western European "Third Force" bloc or a "little England" divested of all overseas possessions or commitments—both based on a rigid neutrality between the US and the USSR—have apparently dissolved. In certain circumstances, however, which could develop out of economic reverses, they might form again and attract support.

British domestic politics will remain constitutionally stable, and there will be no polarization of political parties around the extremes of right and left. Reduction in the British standard of living, which now appears almost inevitable, will probably produce temporarily some degree of political instability, evidenced by diminished support among workers for the government, or by the coming to power of an administration with a majority insufficient to assure decisive rule. Such an eventuality would certainly tend to diminish the force of Britain in world affairs, and so adversely to affect US security. No appreciable increase of Communist or other subversive influences is to be expected.

Under either political party Britain will remain fundamentally friendly to the United States, and its government will closely cooperate with the US Government. However, there is in the UK an element of anti-American feeling. It is not likely to have appreciable influence on public policy, and it is certainly less strong than anti-British feeling in the United States. It is sufficient nevertheless to make the government have a care to avoid appearances of subservience to US influence, and it could be greatly intensified by injudicious US acts or pronouncements.

APPENDIX A

TOPOGRAPHY AND CLIMATE

1. Topography.

The Island of Great Britain is about the size of New York and Pennsylvania together. Its coast line is exceptionally broken, providing numerous excellent harbors and good access to the interior. Few people live more than fifty miles from tidal water; no interior point is more than seventy miles from the coast. The portion north and west of a line running diagonally from the mouth of the Exe on the channel coast of Devonshire to the mouth of the Tees on the North Sea coast of Yorkshire is largely highlands. Its three main mountainous areas—Wales, the Lake Country, and the Scottish Highlands—though rough and barren, include few peaks exceeding 3,000 feet. While some small pockets of good farm land exist in the area, most of the country is suited only for grazing. The larger portion of Great Britain south and east of the line consists of lowlands. Although seldom absolutely flat, it is almost all good plowland. It includes several ridges or uplands running from southwest to northeast or east—notably the Cotswolds, the Chilterns, and the North and South Downs—but their tops seldom rise 1,000 feet above sea-level. Most of the surface is below the 500-foot contour line.

The most significant aspect of the British river system is the location of the main watershed on the western side of the island, whence the rivers flow comparatively long distances on easy gradients through rich alluvial plains, and are navigable for small boats over much of their courses.

Northern Ireland has a coast line similar to much of Great Britain's. Near the coast are isolated mountain ranges, the highest peaks of which are under 3,000 feet. Apart from these mountainous regions, most of the land is arable.

2. Climate.

Located between 50° and 60° north of the equator, where they receive from the sun the same amount of heat as Labrador or central Russia, the British Isles have a climate much milder than that common to this latitude. Their climate is moderated by their marine location and by the prevailing southwesterly or westerly winds, which cross over the Gulf Stream. They also cause a northeasterly drift of the surface of the North Atlantic, which brings warmer water to the shores of Great Britain. Around London, where the greatest variation between the temperatures of winter and summer occurs, the average temperature during January is 39° Fahrenheit and during July 63°; in Moscow the averages are 13° and 67°. It is unusual for snow to lie on the ground for more than a few days, or for extreme heat to occur as in the northern part of the United States. The intensity of cold in the winter of 1946-47 broke a seventy-year record. Because of the location of the highlands in relation to the moist winds from the ocean, rainfall is normally abundant and well distributed throughout the year.

APPENDIX B

THE POPULATION

1. Age Groups.

(As of 30 June 1948. In Thousands)

Age	*Total*	*Males*	*Females*
Total, all ages	50,033	24,260	25,773
0-4	4,258	2,180	2,078
5-9	3,416	1,740	1,676
10-14	3,293	1,674	1,619
15-19	3,387	1,716	1,672
20-24	3,633	1,837	1,796
25-29	3,929	1,975	1,954
30-34	3,567	1,775	1,793
35-39	3,921	1,944	1,978
40-44	3,793	1,869	1,924
45-49	3,461	1,657	1,804
50-54	3,000	1,373	1,627
55-59	2,707	1,229	1,479
60-64	2,391	1,066	1,325
65-69	2,034	894	1,140
70 and over	3,241	1,331	1,910

2. Religious Groups.

(As of 1945)

Anglican (England only)	2,294,000
Church in Wales	237,000
Church of Scotland	1,259,000
Church of Ireland	345,474
Other Protestant Sects in UK (including Methodist, Congregational, Baptist, Unitarian, etc.) total about	2,500,000
Roman Catholic	2,820,888
Jewish (approximately)	385,000
Society of Friends (approximately)	20,000

3. Functional Groups.

(As of end-January 1949. In thousands)

Total Working Population (aged 15 and over)	23,214
Armed Services (including women)	802
Total Civilian Working Population	
Males 15,326	
Females 7,086	
Coal mining (Total Manpower)	789
Other mining and quarrying	82
Gas, electricity, and water supply	304
Transport and communication	1,801
Agriculture	1,225
Fishing	41
Chemicals and allied trades	434
Metals, engineering, and vehicles	3,932
Textiles	977
Clothing	725
Food, drink, and tobacco	734
Other manufactures	1,425
Building and contracting	1,465
Distributive trades	2,735
Professional, financial, and miscellaneous Services	3,872
National government service	694
Local government service	774
Total in Civil Employment	22,009
Registered Unemployed	366
Ex-H.M. Forces on release leave and not in employment	37

4. Geographic Groups.

(As of 30 June 1948. In thousands)

United Kingdom

Total	Males	Females
50,033	24,260	25,773

England and Wales

Total	Males	Females
43,502	21,091	22,411

Scotland

Total	Males	Females
5,169	2,502	2,667

Northern Ireland

Total	Males	Females
1,362	667	695

APPENDIX C

COMMUNICATION FACILITIES

1. Radio.

All broadcasting in the United Kingdom is under the direction of the British Broadcasting Corporation. The Corporation is a public utility trust in organization and control, and operates under a royal charter. The chairman and other governors are appointed by the Crown. The Corporation's various programs for the United Kingdom are financed from the sale of licenses (£1 per annum for sound receiver sets and £2 per annum for television), while overseas broadcasts are financed from a Parliamentary grant-in-aid. The domestic broadcasting services include the Home Service, Scottish Home Service, Welsh Home Service, Northern Ireland Home Service, North of England Home Service, Midlands Home Service, and West of England Home Service. Overseas programs are broadcast in many languages. The number of receiving-set licenses in force as of December 1948 was 11,364,000 for sound receiving-sets and 94,000 for television sets.

2. Telephone.

Telephone facilities are a monopoly of the state under the administration of the Post Office. There are 5,783 telephone exchanges, 52,000 public telephones (pay stations), and 4,405,200 telephone instruments.

3. Telegraph.

The telegraph service is also a monopoly of the State, and has been managed by the Post Office since 1870. On 31 March 1945, there were 12,600 postal telegraph offices transacting public telegraph business in the United Kingdom, and there has been little change in the number of offices since that date. International radiotelegraph services were recently nationalized and are operated under two separate organizations—the Post Office and Cable and Wireless.

4. Cable.

British cable mileage is owned by the government, and operated by the Post Office or the nationalized Cable and Wireless, Ltd. The international cable network links England with Ireland, France, the Netherlands, Germany, and Norway. US companies operate most of the trans-Atlantic cable traffic.

APPENDIX D

TRANSPORTATION

1. Merchant Marine.

Although the British merchant marine no longer enjoys the position of world predominance which it occupied at the beginning of the century, when Britain and Northern Ireland owned some 50 percent of the world's tonnage, it still plays a most important role in the carrying of world trade. In 1948 the share of world tonnage in steam and motor vessels owned by Britain and Northern Ireland was 21.4 percent. The tonnage of dry cargo vessels (of 500 tons and upward including those with passenger accommodation) under the British flag in 1939 was 13.9 million gross tons and that of the tanker fleet for the same year 3.3 million gross tons. Wartime losses through enemy action were estimated at 11.3 million gross tons, but replacement both during the war and since has made good this loss to a point where the UK merchant marine in 1948 was about 1.7 million gross tons below the prewar strength. The present British program of shipbuilding aims at building up the fleet by 1952-53, with allowance for obsolescence and loss, to just about the prewar strength of 17.2 million gross tons. Of this total, however, only 12.9 million gross tons will be dry cargo, the remaining 4.3 million gross tons being allocated to tankers. The proposed rate of build-up, given an adequate supply of steel and timber, under the present construction program is shown in the following table:

(million gross tons)

Strength	*1939*	*1948*	*1949-50*	*1952-53*
Dry Cargo	13.9	12.1	12.8	12.9
Tanker	3.3	3.4	3.8	4.3
	17.2	15.5	16.6	17.2

Through the earnings of foreign exchange as a carrier of world trade the merchant fleet of the United Kingdom has been an important factor in the past in helping Britain to achieve an annual balance of payment on current account. The United Kingdom is counting heavily upon a resumption of this earning capacity in the future. Net income from dry cargo shipping in 1947 was $121 millions (£30 millions), which considerably exceeded the $80 millions (£20 millions) earned in 1938, partly as a result of the rise in price levels. Provisional figures for 1948 show a net income from dry cargo shipping of about $240 millions (£60 millions). The United Kingdom hopes for a net income from this source in 1952-53 of $360 millions (£90 millions). The annual contribution of shipping towards attaining an equilibrium in the balance of payments indicated by these figures does not, however, reflect the very great contribution made by tankers' disbursements and oil freights which are carried in the British accounting of the balances of payment in "other net receipts."

After the war the Ministry of Transport continued to exercise the war-imposed control over British shipping. Shipping has been used to further the best interests of British economy rather than that of the owners. The relaxation of these controls in 1948 with regard to the deep-sea trade leaves the merchant fleet free to seek cargoes wherever they may be found and is an indication that the Ministry of Transport considers the fleet to have recovered sufficiently in tonnage to permit a return to the normal commercial practices which prevailed prior to the war. It is, however, stated that the procedure is in the nature of an experiment and that the government retains the power to reimpose controls, if considered necessary.

The fulfillment of the British shipping program will naturally depend upon numerous factors not under British control. Such fac-

tors include the volume and value of world trade and travel, the extent of currency control, and the amount of competition offered by other maritime nations. In this latter connection the greatly advanced British shipping costs over prewar, both in constructional and operational expenditures, may prove a handicap.* A danger now confronting world shipping in general, including of course that of the United Kingdom, is the probable overtonnage in the world market with resultant heightened competition and a break in freight rates, such as occurred after World War I.

2. Inland Waterways.

Of the few navigable rivers in the United Kingdom the most important are the Thames, which is navigable by ocean steamers as far as London Bridge, and the Clyde in Scotland. In addition, the Manchester Ship Canal gives passage to ocean-going ships between the Mersey Estuary and Manchester, 35 miles inland. An extensive network of canals, totalling about 2,100 miles, connects many of the important cities. Apart from the great Scottish canals, such as the Caledonian, and the Clyde and Forth, which link the east and west coasts of Scotland, the canal system links England by two great diagonal lines, running from London to Liverpool and from Bristol to Hull, and intersecting at Birmingham. Within this area heavy tonnages can be handled safely, economically, and with reasonable promptness. Total canal traffic amounted to 10,400,000 tons in 1947, compared with 13,000,000 tons in 1938. These canals, like the railways, are nationalized and are under the control of the British Transport Commission.

* Some percentages offered by shipping interests servicing the Far East are illustrative of the general rise in direct and indirect maritime operating costs. The following operating percentage rises over 1938 levels are given for direct costs: repair and maintenance 270 percent; crew, including overtime 259 percent; cargo loading in the United Kingdom 250 percent; discharging in the Far East 233 percent; fuel oil 295 percent; Diesel oil 276 percent; and coal 479 percent. Indirect costs are increased by the capital cost of a new ship which is about 260 percent of 1938 and by the current port delays which increase the length of a round voyage by about 20 percent.

3. Railways.

The British railways were nationalized as of 1 January 1948, and are now under the control of the British Transport Commission. Prior to that date they had developed into four great systems radiating from London—the Great Western Railway, the London and North Eastern Railway, the London, Midland, and Scottish Railway, and the Southern Railway. In addition, the London Passenger Transport Board's lines in London were nationalized. Total trackage, including sidings, was estimated at 52,600 miles in 1947, about the same as in 1938. Approximately 20,000 locomotives were in operation in 1947 and the number of government-owned freight cars was about 650,000. There are also some 588,000 privately owned freight cars. These figures represent almost exactly the numbers available in 1939, reflecting the almost complete cessation of construction of railway rolling-stock during the war years. British railways are in general suffering from dilapidation and obsolescence, 29 percent of the freight cars being over thirty-five years old. Postponement of maintenance of way has necessitated a reduced rate of speed for safety. In spite of these handicaps, however, British railways in 1947 hauled a weekly average of ton-miles of general merchandise over 30 percent greater than in 1938. In the other two categories of freight, minerals averaged for the same period about 50 percent more than 1938 and fuel 13 percent. Shortages of steel and timber and the over-all constructional demands of the export program and of industrial rehabilitation plans will continue to hamper railway replacements for some time to come. By 1950-51 the British expect production of freight cars for domestic needs to be about 50,000 annually, which will still be some 10,000 short of the desired annual scrappage and replacement. At present, the chief measure to economize railway facilities has been the campaign to reduce the turn-around time for freight cars. More rapid unloading permits fewer cars to do more work.

4. Highways.

Great Britain probably has more miles of roadway for its area than any other country.

The average road is narrow by US standards and traffic keeps to the left. Roads are built and maintained under the jurisdiction of the Ministry of Transport, as well as of the local government authorities. The mileage is approximately 183,000, of which about 156,000 are in England and Wales and 17,000 in Scotland. The mileage of trunk roads and those in classes I and II, which are the principal highways, is approximately 45,000 miles. As of August 1948 there were 683,000 vehicles licensed for the transport of freight as compared with 478,000 in 1938. There were also approximately 82,000 vehicles exempt from tax in the same month, owned principally by government authorities, a considerable part of which are motor vehicles for the transportation of freight. These include about 34,000 long-distance road haulage vehicles taken over by the government under the Transport Act of 1 January 1948.

5. Air Routes.

In 1946 the external and internal airlines were nationalized. Under the present plan three corporations have been formed to supply service as follows: British Overseas Airways to operate the Commonwealth and North Atlantic routes; British South American Airways, to cover the South American and West Indian routes; and British European Airways, to undertake the European and internal services. Early in 1949 it was announced in Parliament that BOAC and BSAA would be amalgamated for economy purposes. Aircraft miles flown by all three services were at a monthly average of 3,743,000 miles for the first ten months of 1948 as compared with monthly averages of 3,294,000 miles for the whole of 1947 and 2,751,000 miles for the whole of 1946. The three corporations have a fleet of approximately 260 airplanes, but appear to be experiencing considerable difficulty in developing a type of commercial aircraft able to operate at a profit in the face of foreign competition. In addition to the three corporations there are numerous charter operations equipped to do any national or international non-schedule service. All wartime restrictions for commercial service have been removed, but long Commonwealth route schedules are still partially controlled by the Air Priorities Board. The Ministry of Aviation and the Air Ministry are operating 100 airports in the United Kingdom for commercial flying. The new London Airport, which is the main port of entry, is fifteen miles from London and will be one of the largest airports in the world. According to present plans, it should be completed in 1953, but it is in active operation at the present time.

6. Seaports.

The most important seaports in the United Kingdom are London, Liverpool, Southampton, the Tyne ports, Belfast, and Cardiff, which together handle about 80 percent of the yearly water traffic. Other ports, in order of importance, are Hull, Glasgow, Plymouth, Manchester, and Bristol. The principal ports are well equipped and have hydraulic, electric, and other cranes suitable to accommodate the usual heavy lifts. A number of ports, particularly London, Southampton, Liverpool, Hull, Bristol, and Plymouth, are undergoing extensive repairs and modernization because of heavy damage from enemy action during the war. Before the war, the storage facilities for general cargo at British ports was very good, while storage arrangements for more specialized cargo, such as oil, rubber, and timber, were considered adequate. However the damage from wartime bombing and bombardment has been extremely heavy and will necessitate extensive repair. London suffered a total destruction of 33 percent of all covered transit and storage accommodations; Liverpool lost 50 percent of sheds and dock warehouses and 30 percent of berths; Hull suffered one dock completely destroyed, about 60 percent of transit sheds and warehouses lost; Southampton suffered war damage which included loss of 60 percent of all warehouses in the port. It is estimated that three to five more years are necessary before British ports can be restored to their prewar level of tonnage.

APPENDIX E

BIOGRAPHICAL DATA

Note: Full and accurate biographical information about all British personalities of importance is easily available in *Who's Who,* and is not repeated here. Instead, lists are given of officeholders and other men prominent in government and politics, in the defense organization, and in the trade unions. A few notes are added to indicate the particular importance or influence of some of these persons, but no comprehensive biographical account is attempted.

The lists are arranged as follows:

1. Cabinet and Ministry
2. Some Labor Back-Benchers
3. Conservative Party Leaders
4. Liberal Party Leaders
5. Communist Leaders
6. Principal Officials of the Civil Service
7. British Representatives at the United Nations
8. Personalities in the British Defense Organization
9. Trade Union Leaders
10. UK Officials Prominent in Western Union.

1. Cabinet and Ministry.

Cabinet.

Prime Minister and First Lord of the Treasury—Rt. Hon. CLEMENT RICHARD ATTLEE, C.H., M.P.

Lord President of the Council and Leader of the House of Commons—Rt. Hon. HERBERT STANLEY MORRISON, M.P.

Secretary of State for Foreign Affairs—Rt. Hon. ERNEST BEVIN, M.P.

Chancellor of the Exchequer—Rt. Hon. SIR STAFFORD CRIPPS, K.C., M.P.

Minister of Defense—Rt. Hon. ALBERT VICTOR ALEXANDER, C.H., M.P.

Chancellor of the Duchy of Lancaster—Rt. Hon. HUGH DALTON, M.P.

Lord Privy Seal and Leader of the House of LORDS—Rt. Hon. Viscount ADDISON, K.G.

Lord Chancellor—Rt. Hon. Viscount JOWITT, K.C.

Secretary of State for the Home Department—Rt. Hon. JAMES CHUTER EDE, M.P.

Secretary of State for the Colonies—Rt. Hon. ARTHUR CREECH JONES, M.P.

Secretary of State for Commonwealth Relations—Rt. Hon. PHILIP JOHN NOEL-BAKER, M.P.

Secretary of State for Scotland—Rt. Hon. ARTHUR WOODBURN, M.P.

Minister of Health—Rt. Hon. ANEURIN BEVAN, M.P.

Minister of Labour and National Service—Rt. Hon. GEORGE ALFRED ISAACS, M.P.

Minister of Agriculture and Fisheries—Rt. Hon. THOMAS WILLIAMS, M.P.

Minister of Education—Rt. Hon. GEORGE TOMLINSON, M.P.

President of the Board of Trade—Rt. Hon. JAMES HAROLD WILSON, O.B.E., M.P.

Ministers not in the Cabinet.

First Lord of the Admiralty—Rt. Hon. Viscount HALL.

Secretary of State for War—Rt. Hon. EMANUEL SHINWELL, M.P.

Secretary of State for Air—Rt. Hon. ARTHUR HENDERSON, K.C., M.P.

Minister of Transport—Rt. Hon. ALFRED BARNES, M.P.

Minister of Food — Rt. Hon. JOHN STRACHEY, M.P.

Minister of Town and Country Planning—Rt. Hon. LEWIS SILKIN, M.P.

Minister of National Insurance—Rt. Hon. JAMES GRIFFITHS, M.P.
Minister of Supply—Rt. Hon. GEORGE RUSSELL STRAUSS, M.P.
Minister of Fuel and Power—Rt. Hon. HUGH TODD NAYLOR GAITSKELL, C.B.E., M.P.
Minister of Civil Aviation—Rt. Hon. LORD PAKENHAM.
Postmaster-General—Rt. Hon. WILFRED PALING, M.P.
Minister of Works—Rt. Hon. CHARLES WILLIAM KEY, M.P.
Minister of State for Colonial Affairs—Rt. Hon. the EARL OF LISTOWEL.
Minister of State—Rt. Hon. HECTOR McNEIL, M.P.
Minister of Pensions—Rt. Hon. HILARY ADAIR MARQUAND, M.P.
Paymaster-General—Lord MACDONALD, K.C., M.G.
Attorney-General—Sir HARTLEY SHAW-CROSS, K.C., M.P.
Lord Advocate—The Rt. Hon. JOHN WHEATLEY, K.C.
Solicitor General—Sir FRANK SOSKICE, K.C., M.P.

For an account of the organization of the Cabinet, and of the relative positions and influence of its principal members, see Chapter I, pp. 13-16, above.

Prime Minister ATTLEE is a quiet and unpretentious man, with an exceptional reputation for personal sincerity and integrity. He is not an inspiring speaker and has never tried to become a striking public personality; when he took office in 1945 he was by many considered unequal to the position, but since then he has greatly risen in estimation by reason of his proved talents for negotiation, administration, and management of the strong personalities in his Cabinet. Thus he has his own manner of conducting the government, and allows most of the public attention to go to others; nevertheless he is personally credited with such major achievements as the India and Burma settlements. His views are moderate. He is of the intellectualist, middle-class wing of Laborites.

Sir Stafford CRIPPS, who guides the economic policies of the Government, was born and bred a member of the upper middle class, and became one of the most successful and wealthy of English barristers. His intellectual capacity is of the highest; the integrity of his principles and austerity of his personal life are already almost legendary. He is not popular, and has little in common with the mass of the people; his policies do not always please them, and he will not curry favor. He is probably the most brilliant and able man in British public life.

Herbert MORRISON is the most likely successor to Prime Minister Attlee if a successor should be called for in the near future. Morrison is in charge of party political tactics in the country and in Parliament, and has had a long experience in local and national politics. He is not a trade union man, and is an old rival of Ernest Bevin in the councils of the party. He is moderate in his views.

Ernest BEVIN first rose to great eminence as a trade unionist; he created the Transport and General Workers' Union, which eventually became the largest in the world. Bevin's approach to public questions is practical rather than doctrinaire; he long ago became a skilled negotiator and bargainer, and showed himself able to handle great affairs. He has had little formal education, and is not remarkable for polish and finesse; rather he is blunt and occasionally over-emotional. His policies of firm resistance to Soviet expansion and a close collaboration with the United States have made him a frequent target of left-wing criticism; Conservatives have sometimes objected to his methods, but virtually never to his policies. He is not in good health.

Aneurin BEVAN is the stormy left-winger and anti-capitalist warrior of the Cabinet; he is looked upon by some as a dangerous demagogue; certainly he is a first-rate debater and caustic wit capable of holding his own with Churchill himself. He has also shown himself a capable administrator and man of marked political talent. Should the Labor Party move toward the left, Bevan is a likely candidate for leadership.

Hugh DALTON was Chancellor of the Exchequer until the end of 1947. Known as an intellectual, his policies tended to be inflation-

ary, and the crisis of the summer of 1947, while not to be considered as his fault, led to new fiscal measures. Dalton is a left-winger in the Party; he has many followers and much political power, as is made plain by his present position in a Cabinet which has turned away from his policies.

James Chuter EDE is an able and respected member of the government known for his effective debating in the House of Commons. In the event that the more positive personalities in the cabinet clash when a successor must be chosen for Attlee, Ede would be a possible compromise candidate.

Sir Hartley SHAWCROSS is generally regarded as an ardent socialist and a lawyer of exceptional ability. A man of deep convictions, his penchant for outspoken remarks has occasionally embarrassed the government. Although an important figure in the Labor Party, he is primarily distinguished as a barrister.

No other men in the Cabinet and Ministry are of outstanding personality or influence, though the government is considered on the whole to be competent. The three most promising men of the younger generation are John STRACHEY, Minister of Food; Harold WILSON, President of the Board of Trade, and Hugh GAITSKELL, Minister of Fuel and Power; these have done well in difficult and unpopular administrative duties. For future leadership in Labor politics one may also look to certain young men not primarily concerned with administration: Hector McNEIL, Minister of State, who generally represents Britain in the General Assembly of the United Nations; Christopher MAYHEW, Under Secretary for Foreign Affairs, who carries much of the load of House of Commons work in connection with foreign policy; Gladwyn JEBB, experienced in the diplomatic service, Assistant Under-Secretary of State and United Nations Adviser; and one of Sir Stafford Cripps' assistants, Douglas JAY.

2. Some Labor Back-Benchers and Expelled Rebels.

R. H. S. CROSSMAN, M.P.
J. F. F. PLATTS-MILLS, M.P.
DENNIS NOWELL PRITT, K.G., M.P.
KONNI ZILLIACUS, M.P.

The Labor Party has been more than a little troubled by dissidents on the left, whose most vociferous objections have been in the field of foreign policy. R. H. CROSSMAN was at one time an Oxford don, and has been for some time an Assistant Editor of the influential Socialist periodical the *New Statesman and Nation.* In 1946 he led a rather abortive revolt of some hundred members of the House of Commons against the policy of Mr. Bevin; they charged the government with subservience to the United States and hostility to the true interests of the workers and intellectuals of Europe. Crossman believed strongly in Britain's becoming the leader of a European "Third Force," removed from both the Soviet and US camps. Since the end of 1947, however, Crossman and most of his associates have gradually modified their views; although they are now critical of Bevin, they are not hostile, and their opinion of the United States seems to have become more favorable. They are Labor Party members in good standing.

The same change has not occurred in the views of the other three men mentioned. PLATTS-MILLS is a barrister, ZILLIACUS a formidable intellectual, PRITT a barrister and prolific writer who has long been almost indistinguishable from a Communist. Pritt was expelled from the Labor Party in 1940, and the same action was taken recently against Platts-Mills and Zilliacus along with other and less conspicuous men of similar leanings.

3. The Opposition (Conservative).

Rt. Hon. WINSTON LEONARD SPENCER CHURCHILL, M.P., C.H., F.R.S., O.M.
The Marquess of SALISBURY, K.G.
Rt. Hon. ROBERT ANTHONY EDEN, M.P., M.C.
Rt. Hon. OLIVER FREDERICK GEORGE STANLEY
Rt. Hon. RICHARD AUSTEN BUTLER, M.P.
Rt. Hon. BRENDAN BRACKEN, M.P.
Rt. Hon. OLIVER LYTTELTON, M.P., M.C., D.S.O.
Rt. Hon. HARRY FREDERICK COMFORT CROOKSHANK, M.P.
Rt. Hon. MAURICE HAROLD MACMILLAN, M.P.

Rt. Hon. Lord WOOLTON, C.H.
QUINTIN McGAREL HOGG, M.P.
MAURICE CHRISTOPHER HOLLIS, M.P.
GEORGE EDWARD PETER THORNEYCROFT, M.P.
ROBERT JOHN GRAHAM BOOTHBY, M.P.
DAVID McADAM ECCLES, M.P.

If and when Mr. CHURCHILL chooses to retire from the leadership of the Conservative Party, Mr. EDEN is generally supposed to be the likeliest successor; yet despite his long experience in office and his great knowledge of foreign affairs, doubt exists as to Eden's suitability for the position of party leader. This is perhaps because he is thought to lack sufficient force. Among the other Conservatives, STANLEY is one of the most skilled debaters, BUTLER is distinguished by intellectual attainments, BRACKEN is Churchill's most trusted lieutenant, and LYTTELTON is a highly competent man of business. The predominance of Churchill has greatly obscured the individual merits of all these men. Lord SALISBURY, leader of the party in the House of Lords, is considered one of the ablest men in British public life.

Messrs. HOGG, HOLLIS, THORNEYCROFT, and ECCLES represented for a time an active group of Young Conservatives who have made valiant efforts by writing, speaking, and House of Commons work to lead their Party into more definite pronouncements of policy, along lines which though conservative were far from reactionary. As the older leadership continues to prevail, their public appeals for a more definite policy have diminished in frequency; again it must be observed that until Churchill disappears from the scene the future nature of the Conservative Party scarcely can be predicted.

Lord WOOLTON, a businessman of considerable prominence, entered political life only at the time of World War II, during which he made a remarkable record of popularity as well as competence in the administration of food rationing. Since 1946 he has been the organizer of the Conservative Party machine, and has fulfilled this function with conspicuous success. (See Chapter I, p. 28.)

4. Liberal Party Leaders.

Rt. Hon. CLEMENT E. DAVIES, K.C., M.P.
Lt. Col. CHARLES FRANK BYERS, O.B.E., M.P.
WILFRED ROBERTS, M.P.
DINGLE MACKINTOSH FOOT
Sir ANDREW McFADYEAN
Rt. Hon. Viscount SAMUEL, G.C.B., G.B.E.
Lord BEVERIDGE, K.C.B.
Lady VIOLET BONHAM CARTER
Lord MOYNIHAN, O.B.E.
Rt. Hon. Sir ARCHIBALD SINCLAIR, K.T., C.M.G.

Although a declining electoral force, the Liberal Party viewpoint receives close attention in many quarters due to the eminence of some of the leaders listed above. The Liberal peers are unusually well informed, respected, and temperate debaters in the House of Lords. Although less outstanding, the younger Liberals and Liberal MP's have earned a reputation for comparative objectivity which invests their sponsorship of a cause with more significance than their electoral strength alone would warrant.

The *National Liberal Party,* a splinter group which broke away from the Liberal Party in 1932, is for all practical purposes an adjunct of the Conservative Party. Although the National Liberals maintain their separate identity through a national organization and have their own whips in Parliament, their organization is fused with that of the Conservatives at the constituency level and their thirteen MPs can be counted upon to support Conservative Policy. The Chairman of the National Liberal Organization is Sir John DODD; Sir Roland EVANS is the General Secretary and Principal Agent. The President of the National Liberal Council is the Rt. Hon. The Earl of ROSEBERY.

5. Communist Party Leaders.

HARRY POLLITT
ARTHUR HORNER
RAJANI PALME DUTT
PHILIP PIRATIN, M.P.
WILLIAM GALLACHER, M.P.

None of these men can easily be thought of as a dangerous revolutionary, though there is

no question that they are Communists. Harry POLLITT is a mild sort of man, scarcely capable of dominating a hypothetical Communist administration for Britain. William GALLACHER has been a member of Parliament since 1935, and is moderately popular in the House because of his occasional pungent sallies; he has been a Communist since 1920. Palme DUTT is an intellectual and a prolific writer.

For other influential Communists see the list of trade union leaders below; the above list includes only those prominent in the political party.

6. Principal Officials of the Civil Service.

Permanent Secretary of the Treasury and Head of the Civil Service: Sir EDWARD BRIDGES, G.C.B., G.C.V.O., M.C.

Permanent Secretary to the Cabinet Office and Secretary of the Cabinet: Sir NORMAN BROOK, K.C.B.

Admiralty:
Permanent Secretary: Sir JOHN G. LANG, K.C.B.

Agriculture and Fisheries:
Permanent Secretary: Sir DONALD VANDEPEER, K.C.B., K.B.E.

Air Ministry:
Permanent Under Secretary: Sir JAMES H. BARNES, K.C.B., K.B.E.

Civil Aviation:
Permanent Under Secretary: Sir ARNOLD OVERTON, K.C.B., K.C.M.G., M.C.

Colonial Office:
Permanent Under Secretary: Sir THOMAS LLOYD, K.C.M.G.

Commonwealth Relations Office:
Permanent Under Secretary: Sir PERCIVALE LEISCHING, K.C.B., K.C.M.G.

Defense:
Permanent Secretary: Sir HAROLD PARKER, K.B.E., C.B., M.C.

Education:
Permanent Secretary: Sir JOHN MAUD, K.C.B., C.B.E.

Food:
Permanent Secretary: FRANK LEE

Foreign Office:
Permanent Under Secretaries: Sir WILLIAM STRANG, K.C.B., K.C.M.G., M.B.E.; Sir IVONE KIRKPATRICK, K.C.M.G.

Fuel and Power:
Permanent Secretary: Sir DONALD FERGUSSEN, G.C.B.

Health:
Permanent Secretary: Sir WILLIAM S. DOUGLAS, K.C.B., K.B.E.

Home Office:
Permanent Under Secretary: Sir FRANK NEWSAM, K.B.E., C.V.O., M.C.

Labor:
Permanent Secretary: Sir GODFREY H. INCE, K.C.B., K.B.E.

Pensions:
Permanent Secretary: Sir ARTON WILSON, K.B.E., C.B.

Post Office:
Director General and Deputy Chairman of Post Office Board: Sir RAYMOND BIRCHALL, K.C.B., K.B.E.

Insurance:
Permanent Secretary: Sir HENRY D. HANCOCK, K.B.E., C.M.G.

Supply:
Permanent Secretary: Sir ARCHIBALD ROWLANDS, G.C.B., M.B.E.

Town and Country Planning:
Permanent Secretary: Sir THOMAS SHEEPSHANKS, K.C.B., K.B.E.

Board of Trade:
Permanent Secretary: Sir JOHN H. WOODS, K.C.B., M.V.O.

Transport:
Permanent Secretary: Sir GILMOUR JENKINS, K.C.B., K.B.E., M.C.

Treasury:
Permanent Secretary: Sir EDWARD BRIDGES, G.C.B., G.C.V.O., M.C.

War Office:
Permanent Secretary: Sir GEORGE W. TURNER, K.B.E., C.B., J.P.

Office of the Lord President of the Council:
Secretary: E. M. NICHOLSON, C.B.

Works:
Permanent Secretary: Sir Harold Emerson, K.C.B.

Board of Inland Revenue:
Chairman: Sir ERIC ST. JOHN BAMFORD, K.B.E., C.B., C.M.G.

7. British Representatives at the United Nations.

Permanent Representative to the UN: Rt. Hon. Sir ALEXANDER GEORGE MONTAGU CADOGAN, K.C.B., C.C.M.G., P.C.
Deputy to the Permanent Representative to the UN: Sir TERENCE SHONE, K.C.M.G., C.M.G.
Counselor to the Permanent Delegation: V.G. LAWFORD, M.V.O.

8. Personalities in the British Defense Organization.

Minister of Defense: Rt. Hon. A. V. ALEXANDER, C.H., M.P.
Chief Staff Officer: Air Marshall Sir WILLIAM ELLIOTT, C.B., C.B.E., D.S.O.
Secretary of State for War: Rt. Hon. EMANUEL SHINWELL, M.P.
Chief of the Imperial General Staff: Field Marshall Sir WILLIAM J. SLIM, C.B.E., K.C.B., C.B., D.S.O., M.C.
First Lord of the Admiralty: Rt. Hon. Viscount HALL
First Sea Lord and Chief of the Naval Staff: Admiral of the Fleet Lord FRASER of North Cape, G.C.B., C.B.E.
Secretary of State for Air: Rt. Hon. ARTHUR HENDERSON, M.P.
Chief of the Air Staff: Marshal of the Royal Air Force Lord TEDDER, C.G.B.

For a description of the Defense Policy and Planning Organization of the UK, and of the functions of the above individuals, see ORE 16-48.

Scientists:

Chairman, Defense Research Policy Committee: Sir HENRY T. TIZARD, K.C.B., C.B., A.F.C., F.R.S.
Secretary, Department of Scientific and Industrial Research: Sir BEN LOCKSPEISER
Scientific Adviser to the Army Council: Dr. O. H. WANSBROUGH-JONES.
Chief of the Royal Navy Scientific Service: N.F. BRUNEETT
Scientific Adviser to the Air Ministry: Dr. R. COCKBURN

Sir Henry TIZARD, under authority of the Minister of Defense is responsible for framing general research and development policy, both from an operational and scientific angle, in the Service Departments and the Ministry of Supply. Remaining governmental research and development, concerned chiefly with the physical sciences, industry, and university grants, is controlled by the Department of Scientific and Industrial Research, for which the Lord President of the Council answers to Parliament. Broadly speaking, Tizard heads the military, and Lockspeiser the civilian, aspect of government research and development, although much overlapping occurs between the two. Together with the Scientific Advisers to the three Service Ministries, these five men are listed because of their advisory and policy making positions at top government level. A much longer list could be made of British scientists individually outstanding in their special fields.

9. Trade Union Leaders.

ARTHUR DEAKIN—General Secretary, Transport and General Workers' Union, the largest in Britain. Member, General Council of the Trades' Union Congress (TUC). President, World Federation of Trade Unions until the TUC split from the organization in January 1949. Rigidly anti-Communist. Has advocated some government direction of Labor; in general has cooperated with Government's economic policies.

H. VINCENT TEWSON—General Secretary of the TUC. Former official of the World Federation of Trade Unions. Has never shown an assertive personality but is respected in labor movement for efficiency and administrative ability.

Sir WILLIAM LAWTHER—President, TUC General Council. President, National Union of Mineworkers. Knighted in 1949. Has small influence with other union leaders. Was at one time willing to work closely with Communists but made a clean break in 1948 and now supports the Labor Government and the General Council majority on the Communist issue. Is opposed to the theory of increased responsibilities of workers in control and administration of nationalized industries.

ARTHUR HORNER—Communist. General Secretary, National Union of Mineworkers. Once considered one of the strongest and most respected of trade union leaders. In recent months his unwavering support of Communist tactics, despite the TUC's anti-Communist campaign, has made him a suspect with the labor rank-and-file. Was defeated for reelection to the General Council of the TUC in September 1948.

JACK TANNER—President, Amalgamated Engineering Union. Member TUC General Council. A consistent follower of the Communist line until 1948, when he headed an AEU drive against Communist inspired unofficial strikes. Member of the Anglo-American Council on Productivity.

TOM WILLIAMSON—General Secretary, General and Municipal Workers' Union, the second largest union in Britain. Member, TUC General Council. Former Labor MP and active in Party until his resignation as MP in 1948, for purpose of devoting full time to his trade-union duties. Has always been a firm anti-Communist.

J. M. FIGGINS—General Secretary, National Union of Railwaymen. Resigned from Communist Party several years ago but still considered fellow-traveller. Member, TUC General Council but exerts small influence there. Regarded as a rather incompetent opportunist by responsible trade-union leaders.

LINCOLN EVANS—General Secretary, Iron and Steel Confederation. Member TUC General Council. Member, Anglo-American Council on Productivity. Interested in trade unionists in British zone in Germany. Early in 1948 was reported in favor of making the Marshall Plan the issue on which to split the World Federation of Trade Unions.

TOM O'BRIEN—General Secretary, National Association of Theatrical and Kine Employees. Member TUC General Council. Roman Catholic. Violently anti-Communist. Aggressive. Together with Deakin and Tewson make up the three-man delegation to the ERP Trade Union conference in London in March 1948.

A. F. PAPWORTH—Communist. On Executive Committee of the Transport and General Workers' Union representing the Busmen's branch. Director, Council of Management of the *Daily Worker*.

JAMES GARDNER—Communist. General Secretary of the National Union of Foundry Workers. On Executive Committee of the Communist Congress in London, February 1948. Rejected government's Wage Stabilization Policy. Maintains his first loyalty is to trade union and then to Communist Party and that the two do not conflict.

JAMES BOWMAN—Vice President of the National Union of Mineworkers. Member TUC General Council. Has great power over a trade union audience. Is spoken of as "the Ernest Bevin of today." May become the dominant personality in the TUC General Council.

SAM WATSON—Secretary of the Durham area miners and member of the Executive Committee of the National Union of Mineworkers. Elected Chairman, Labor Party Executive Committee, June 1949. Responsible trade union officials regard him as promising prospect for eventual union leadership. Has taken an active part in the TUC Anti-Communist campaign and has been given a large part of the credit for the Durham area miners' successful record of cooperation in the drive to increase production.

ABE MOFFAT—Communist. Chairman of the Scottish Miners' Union which has consistently opposed the policy of the National Union of Mineworkers. Under Moffat's leadership the Scottish mineworkers have rejected the Government's Wage Stabilization Policy; condemned TUC withdrawal from the World Federation of Trade Unions; and generally supported Communist-led strikes in Europe.

10. UK Officials Prominent in Western Union.

UK member of Consultative Council: Secretary of State for Foreign Affairs ERNEST BEVIN

UK representative on Permanent Commission: Sir GLADWYN JEBB

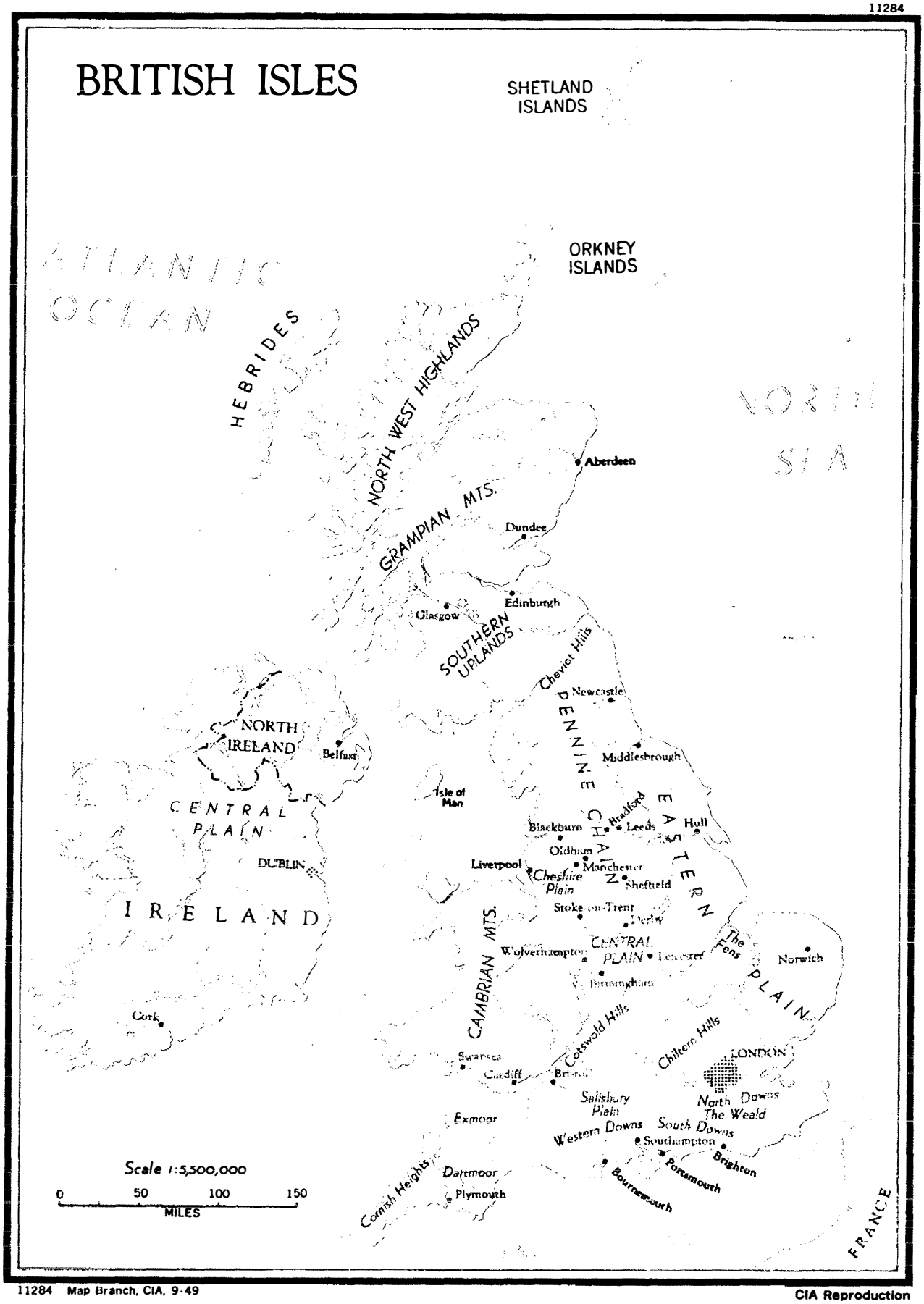
UK member of Defense Committee: Minister of Defense A. V. ALEXANDER

UK representative on Chiefs of Staff Committee; also presides at meetings: Marshal of the RAF Lord TEDDER.

Head of UK military delegation to the Permanent Military Committee: Air Vice Marshal E. G. HUDLESTON

Permanent military chairman of the Commanders in Chief Committee: Field Marshal Viscount MONTGOMERY

Commander in Chief WU Air Forces: Air Chief Marshal Sir JAMES ROBB.



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