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A Struggle for Survival

IT should now be evident to most people that the recurring crises in Britain are phases of an economic situation which is dangerous to the Commonwealth and to the world. The tremendous effort of the war years could be made only because Britain spent her reserves — overseas investments and other "invisible" exports—and allowed sterling balances to accumulate, thereby becoming debts, in countries providing goods and services which at the time could not be paid for. In pre-war years invisible exports closed the gap between visible exports and imports. Britain now needs an export surplus: she must sell more than she buys if she is to remain solvent. And although her export trade has grown remarkably the effort has been frustrated by old and new commitments. Part of the export gain, for instance, has been used to reduce sterling debts; and rearmament has meant costly imports from dollar countries.

The sterling area includes some non-British countries, but the Commonwealth is dominant. And Britain, banker for the group, is not the only country with a deficit. Sterling balances in various parts of the Commonwealth have disappeared or have been greatly reduced. Trade with Europe has become unbalanced, and debts are accumulating. Dollar reserves held collectively by sterling countries —which are needed for payments in Europe as well as in the United States—are dangerously low. The crisis, then, is not Britain's alone, and if no way out of it could be found the effect on world trade would be disastrous. We know, from a general statement issued at the end of the Finance Ministers' conference, what are to be the main lines of action, though the co-operating Governments will follow them in different ways. But Britain has already taken measures to stop the drift at home. Strict economies have been announced, and imports have been further reduced.

The tragic fact is that imports are mainly foodstuffs. Luxuries of all kinds, including tobacco—if nowadays that useful weed can be described as a luxury—have been cut down in quantity and are being heavily taxed. The British people are inured to hardship, and nobody can doubt that they will accept a sharper austerity. But there are limits beyond which food rationing cannot be taken. Whatever decisions are made, we can assume that they will lead to a heavier dependence on food imports from the Dominions. Apart from Britain's own needs, markets for foodstuffs are unsatisfied in many parts of the world. Food-producing countries in the Commonwealth therefore have resources of great value to the sterling area as a whole. We have already been told that these countries will be asked to increase exports and to accept a temporary reduction of imports. Britain's sacrifices will be in vain unless efforts are made elsewhere, including New Zealand, to increase production and to strengthen internal economies. War is costly, and an uneasy peace brings little relief from strain. British people at home and in the Dominions are finding that their new task is to make the best use of their resources, actual and potential, within their own unique system of co-operation. It is a new stage in Commonwealth relations; but it is also part of the struggle for survival which began in 1939, if not earlier.