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THE ROUND TABLE

THE BRITISH EMPIRE'S FINANCIAL TASK

A Quarterly Review of the Politics of the British Empire—Republished Under the Above Heading

III. THE CAPITAL AND INCOME OF THE BRITISH EMPIRE

THE discussion hitherto has been confined to the financial and economic position of the United Kingdom. But it may be asked:—What about the resources of the British Empire as a whole? It is the British Empire, not the United Kingdom only, which is at war. There is no part of the British Empire which is not vitally concerned in the struggle. Are not the whole resources of the Empire available? And are they not much greater than the resources of the United Kingdom only?

In 1903 Sir Robert Giffen made the following estimate:—

Capital	Income	
£1,350,000,000	£ 270,000,000	Canada
1,150,000,000	210,000,000	Australasia
3,000,000,000	600,000,000	India
600,000,000	100,000,000	South Africa
1,200,000,000	200,000,000	Remainder of Empire
£7,300,000,000	£1,380,000,000	Total

Here indeed is a great addition to the wealth of the United Kingdom alone, and since 1903 the wealth of the rest of the British Empire has been largely increased. Sir Robert Giffen then estimated the income per head of Canada and Australasia at £48, as against £42 for the United Kingdom. Since then the latter figure has increased to £46 and it is hardly open to doubt that the figure for Canada and Australasia has increased in proportion. Let us take it however at £50 per head. If the populations of Canada and Australasia are taken at 8,000,000 and 6,000,000 respectively, their annual incomes would then be £400,000,000 and £300,000,000 respectively. If Giffen is right in assuming that for a new country the income could be estimated at about one-fifth of the capital, then the capital of Australasia and Canada would be £2,000,000,000 and £1,500,000,000 respectively. These calculations are fairly accurate borne out by the relative size of the banking deposits in each country, the deposits in Canadian banks being over £200,000,000 and in Australia (apart from New Zealand) about £170,000,000, as compared with British deposits of roughly £1,600,000,000. It is interesting to note the figures given above for Canada—namely, capital £2,000,000,000, income £400,000,000—tally almost exactly with the figures for the United Kingdom in 1816 at the end of the Napoleonic Wars, when the national debt stood at over £800,000,000. If one estimates that the United Kingdom is now raising loans at the rate of £1,400,000,000 a year, then Canada and Australia, if they were incurring indebtedness at the same rate would, on the basis of their income as compared with that of the United Kingdom, be raising about £250,000,000 and £190,000,000 annually, and on the basis of their capital about £170,000,000 and £130,000,000 annually. If population were taken as a basis, the figures would come out approximately the same as on the basis of income. What has been the increase in the wealth of South Africa, India, and of the other dependencies of the Empire since 1903 it is impossible to say, but that it has increased greatly there can be no doubt. If it could be assumed to have increased in the same proportion as that of Canada and Australia, then the capital of the Empire outside the United Kingdom would be over £10,000,000,000, and the income over £2,000,000,000, the income thus being about equal to that of the United Kingdom. It is no doubt, however, a good deal too sanguine to suppose that India's wealth has for instance increased in the same ratio as Canada's. Yet the figures quoted are sufficient to show the enormous economic strength of the Empire as a whole.

There is no other state in the world which approaches anywhere near this economic strength with the exception of the United States. If all this great wealth, and all these resources lay within a ring fence and could be as readily and as directly and as ruthlessly em-

ployed on the object of the war as are being and will be those of the United Kingdom, and could be developed and utilised by one Government within one single financial system and with a single aim to the war, in the manner that the resources of the United States would for instance be employed in similar circumstances, the addition to our economic strength would be enormous. But this cannot be in the nature of things be so. Each part of the Empire is under a different Government; each possesses a separate financial system. Its great wealth is, so to speak, stored in separate reservoirs—a British, a Canadian, an Australian, an Indian reservoir.

The British Government can by its taxation and its loans only pump the money and goods it requires out of its own reservoir; the Canadian and Australian Governments only from theirs. If the British reservoir is running low, then it is only the other Governments which can give it or lend it more supplies. It is worth while to be clear as to the consequences of this position. The food products, the raw materials the munitions of war, which England receives from the different parts of the Empire are invaluable to her, but so long as she has to pay for them in cash she is no better off financially than if they came from neutrals. It makes no difference to the British Treasury whether it has to pay \$15 for a shell to an American or a Canadian manufacturer, or to an English miller whether he pays \$1 a bushel for wheat to Australia or the Argentine. The British Treasury and the English miller no doubt prefer to buy from the Canadian manufacturer and the Australian farmer, so as to keep the money in the Empire. But to the British tax-payer and the British consumer the result is identical. In truth, the great wealth of the British Dominions over the seas, while potentially of enormous value, is of use in the present war only in so far as it is employed on its objects. And it can only be so employed to the extent that the different parts of the Empire either meet out of their own resources their own cost of the war or lend money out of those resources to the British Government, or in other words sell their exports on credit, just as the United States by lending £100,000,000 is selling to France and England its goods to that extent on credit.

It is not suggested that it lies within either the duty or capacity of say, Australia or Canada to raise by loan or taxation any sum proportionate so far as wealth goes, to that which is being raised in the United Kingdom. A new country in the course of rapid development, with less abundance of liquid and with no foreign investments, is in a different category from an old country like England. Yet the time may come and quickly, when Great Britain may have to ask the larger Dominions whether there is any method—in addition to the great assistance in men already given—whereby they can contribute financially towards ensuring victory. The British people are taking on very heavy burdens. They have already been told officially that every man must be ready to give up half his income to the service of the State. The assistance which can be given financially from the other parts of the Empire would be of the utmost service. It so happens, too, that the assistance which the Dominions might give would be of a kind which would be the most valuable of all. If the conclusions of this article are right, then the great difficulty of England will be to find the means to pay for her purchases of food, raw materials, and munitions from overseas. What greater help could the Dominions

give than to advance her for the time being the money wherewith to buy the food and other materials which she can get from them? It is a tradition, difficult to forget, that England is always the lender and the Dominions always the borrowers. War changes many things. England can no longer lend. Are not the Dominions now in a position to finance their own expenditure, war and otherwise? Australia is indeed raising an internal loan of £20,000,000 for her own purposes; Canada is going to raise an internal loan for the same end. But are they not in a position to do still greater service to the Empire by raising money internally for the purpose of making advances to the British Government? There should be no difficulty in the financial measures required. Take for instance the case of Canada. Owing to the great economies in expenditure which she has made, and to her fine harvest, it is probable that Canada, instead of the usual heavy balance of trade against her, will, if her people continue to be economical, have a favourable balance of even up to \$200,000,000. Of this \$125,000,000 is required for interest on her external debt. But it is quite possible that she could raise by loan in New York an amount at least equal to the latter sum, in which case she would have her whole surplus available to lend to Great Britain. She will in so doing benefit herself as well. She will be merely forgoing the immediate enjoyment of her profits and building up for herself a reserve abroad which will be very useful to her after the war. It would, of course, serve the same purpose if she were to use her surplus to pay off any indebtedness to England shortly falling due. The more the Dominions were able to lend, the greater naturally would be England's purchases from them of food, munitions, and raw materials—in preference to neutrals. They would thus reap the immediate benefit of their loans. In turn, in order to find the money they would need to practise the same saving and abstinence from new expenditure as is now being enforced on the British people. A further and indirect result might be a very large and permanent development of inter-imperial trade.

It is not open to question that all parts of the British Empire are equally determined on any sacrifice to win the war. The British Government in its position of trusteeship for India and the other dependencies is not in a position to place a great burden of debt on them. Nor is South Africa, in her secular position, able to do more than meet her own requirements. It remains, however, for consideration between the British Government and the larger Dominions, whether some financial plan, such as has been briefly sketched here, would not be practicable, of equal benefit to all parties, and of immeasurable assistance to the Empire.

IV. SOME CONCLUSIONS

THE wealth of the British Empire is so great that it seems hardly open to doubt that it will outlast that of its. The issue lies largely in our hands and those of our kinsmen overseas. Our weakness is that Great Britain is obliged to purchase so large a proportion of her own supplies and those of her Allies from overseas, and is running short of the normal means of payment. It is no mere chimera to suppose that England may at the present rate come to the end of those means on the scale she is requiring them at present. She alone indeed of all the belligerents is in a position still to continue her purchases freely to meet her needs. It is wise therefore not to shut our eyes to the possibilities of the future. Germany has been forced to live on herself. Whether she can continue to do so indefinitely remains to be seen. We on the other hand have based our whole war policy on our ability to maintain our supplies from abroad. Fortunately there is no reason to assume that we shall not always maintain our power to buy a great deal abroad. Our ability to repay in the long run is undoubted, and it is therefore very greatly to the interest of the countries chiefly concerned to sell us their goods even on credit. If, however, these supplies were to be largely cut off, we should have to alter our policy, and try to make ourselves self-sufficient, or nearly so. That the Empire could do so if every part were ready to make the sacrifices required there is little doubt. But it would involve, on the part of the people of Great Britain particularly, efforts and sacrifices far greater even than any hitherto made.

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