

The background of the cover is a collage of historical currency notes and documents. At the top, there is a note with the text 'I promise to pay on Demand the sum of One Pound'. Below this, a note from the 'WEST AFRICAN CURRENCY BOARD' is visible, featuring a portrait of Queen Elizabeth II and the text 'THE COMMISSIONERS OF CURRENCY MALAYA AND BRITISH BORNEO'. To the right, there is a document with the name 'L. K. Dhanoo' and some handwritten text. The overall color scheme is muted, with shades of green, brown, and black.

MONEY AND THE END OF EMPIRE

British International
Economic Policy and the
Colonies, 1947–58

Gerold Krozewski

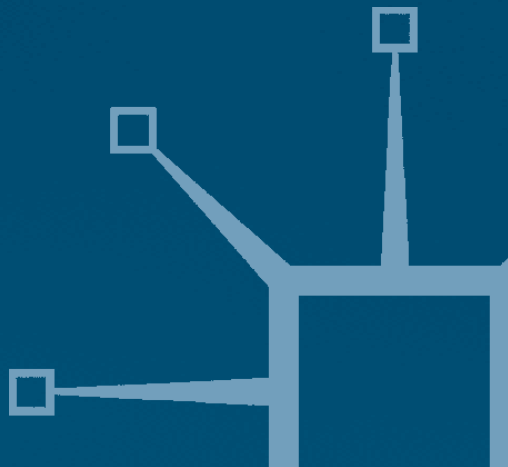
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the Colonies, 1947-58

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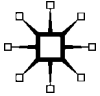
Gerold Krozewski

Graduate Institute of International Studies

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*For my Mother
and
in Memory of my Father*

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GEROLD KROZEWSKI
Geneva

Abbreviations

Abbreviations in the text

CPP	Convention People's Party
CD&W	Colonial Development and Welfare
CDC	Colonial Development Corporation
CDFC	Commonwealth Development Finance Corporation
CCTA	Commission for Technical Co-operation in Africa South of the Sahara
EACB	East African Currency Board
EAHC	East African High Commission
ECGD	Export Credits Guarantee Department
EPU	European Payments Union
FAMA	Foundation for Mutual Assistance in Africa South of the Sahara
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
KANU	Kenyan African National Union
KAU	Kenyan African Union
MIDF	Malayan Industrial Development Finance Ltd
NLM	National Liberation Movement
OEEC	Organization for European Economic Cooperation
UGCC	United Gold Coast Convention
UMNO	United Malays National Organization
WACB	West African Currency Board

Abbreviations in the notes and bibliographical references

Administrative and archival

B/E (ADM, OV, C, EID)	Bank of England (Administrative, Overseas, Chief Cashier, Exchange Division files)
BT	Board of Trade
CA or CAOG	Crown Agents (of Overseas Governments)
CAB	Cabinet Office
CEPS	Central Economic Planning Staff
Cmd., Cmand.	Command Papers
CO	Colonial Office
CRO	Commonwealth Relations Office
DO	Dominion Office

EPC	Economic Policy Committee
ESC	Economic Steering Committee
FO	Foreign Office
PRO	Public Record Office
SAWP	Sterling Area Working Party
T (HF, OF, IF)	Treasury (Home Finance, Overseas Finance, Imperial Finance Division)

Other

<i>BOTJ</i>	<i>Board of Trade Journal</i>
ECOSOC	Economic and Social Council (United Nations)
EEC	European Economic Community
EFTA	European Free Trade Association
<i>JICH</i>	<i>Journal of Imperial and Commonwealth History</i>

Introduction

1

Exploring Britain's Postwar Imperial Relations

Between the 1940s and 1960s key transformations occurred in Britain's foreign relations and in international relations in general. Britain went through difficult years of postwar reconstruction while experiencing foreign exchange and reserve crises. The period was marked by fierce rivalry with the United States in the international economy, heated debates over Europe, and the apparently sudden and unexpected end of the British empire. The role of the sterling area for Britain increased considerably after the war, but the area then withered away in the 1960s. At the same time, Britain achieved economic recovery and created the welfare state in a changing global context. The international political and economic order was recast. After 1945, the United States – a former colony – assumed the role of guardian of the Western world, and the dollar took on the function of the world's leading currency of international exchange which the pound sterling had occupied before the war. The West moved from the defensive protectionism of the 1930s towards liberal multilateralism in international economic relations and the full implementation of the Bretton Woods system in the 1960s. Britain and the pound were ultimately reintegrated in a liberal world economy. The periphery became embedded in a novel way in the international economy and, with the formation of many independent states, in a reformed state system too. Moreover, for the British colonies, the period brought consequential transformations in social structure and political organization. Tropical Africa experienced perhaps the only period under colonial rule during which it was clearly an economic asset for the imperial centre. Peripheral development was launched, taking on markedly different meanings for colonizers, academics and political activists.

This book tells the story of the striking transformation in Britain's imperial relations from the onset of peace-time economic discrimination in the empire with the convertibility crisis of 1947 to the return to cosmopolitanism with the official convertibility of sterling in 1958. The argument is embedded within the wider context of international relations, linking Britain's external economic and sterling relations with imperial relationships

and policies. Accordingly, the account is placed in the longer time-frame from the Second World War to the 1960s. The study discusses the impact of changes in the international economic environment, the British state and colonial states, and the socio-economic transformations in Britain and areas on the periphery. In doing so, it offers a continuation of research on earlier periods that deal with British imperial economic relations in the face of challenges from the United States in particular. The analysis, moreover, attempts to bring a novel perspective to the interpretation of the end of the British empire.¹ In broad terms, the arguments advanced here are relevant to the relationship between the state and finance in international relations, British welfare capitalism and economic performance, and state formation and economic development on the periphery, and they may advance discussion of comparative perspectives of foreign policy.² However, the book will have achieved its objective if it illuminates a formative episode in Britain's imperial and international economic relations, and raises awareness of the significance, specifically, of the connection between finance, empire and decolonization.

1. The historiography

The past 15 years or so have witnessed the resurgence of studies of economic and financial relationships in Britain's empire and between the British empire and the wider world.³ The financial theme was a mainstay of the historiography of postwar Britain, including the 1940s and 1950s,⁴ and contemporary studies have of course included the empire.⁵ None the less, this research subsequently has made little impact on general studies of Britain's imperial relations or on the end of the British empire. The neglect is surprising as sterling relationships are known to have been crucial to Britain's economic predicament in the two decades following the Second World War. Although there is now a large literature on the subject of decolonization, only a few studies so far have investigated imperial relations during the period from the perspective of interstate relations, and fewer still have dealt with imperial financial relations. A handful of them have focused on the late 1940s and treated specific regions, such as India,⁶ or shed light on the implications of Britain's link with the empire for Anglo-European relations.⁷ Regional studies are preoccupied with the effects of policy on the periphery and are rarely interested in exploring external relationships from a British perspective.⁸ A limited number of interpretative surveys attach importance to imperial financial relations; helpful though they are, they are necessarily abbreviated.⁹

Of the studies closely related to the topic of this book that have made a serious attempt to deal with the massive documentation now available, four merit consideration. The most noteworthy recent study of the sterling area sets out important quantitative data and places the argument within

the context of the debates about British economic performance. Therefore, this research gives less attention to imperial or regional aspects of sterling area relationships, and the author emphasizes that her study does not focus on the political dimension.¹⁰ Studies of the periphery taking the perspective of development have illuminated important issues of imperial sterling relationships, and investigated the links between development doctrines and colonial economic policy during and immediately after the Second World War.¹¹ Apart from that, an official history of colonial development has summarized important archival material relating to the imperial sterling area.¹² Finally, there are articles that have brought the subject forward by integrating an investigation of developments on the periphery with those in the centre in a specific period.¹³

The research traditionally associated with the end of empire (usually labelled decolonization) provides a wealth of factual information on the political aspects of British imperial and colonial policies. None the less, these studies rarely draw systematically on Britain's international economic relations. Yet without this element it is impossible to understand the changes in imperial relations during the final phase of empire.

The bulk of decolonization studies written in the 1970s and early 1980s focused on the 'official mind' of the Colonial Office in an attempt to pin down the plans that, so it is claimed, phased in imperial retreat in Africa.¹⁴ This approach had the great merit of presenting a clear-cut argument based on newly released official documents, but its basic line of argument no longer seems to be convincing. This research overstates the influence of the Colonial Office in the British policy process: Britain simply did not have a policy that executed a government-approved plan for imperial retreat from the 1940s.¹⁵ Moreover, the approach confuses constitutional and administrative change with the retreat from the empire and more generally colonial with imperial policy. British policy, in the late 1940s, gradually widened administrative and political participation in Africa. But this is evidence of local administrative needs rather than of a big shift in the moral purpose of imperial design from 'good' government to self-government and ultimately independence.¹⁶ In the few instances in which the 'planned' decolonization school incorporates economic factors, it does so specifically with respect to colonial development policy rather than to Britain's external economic policy. Regional varieties of the 'planned' decolonization school can be problematic too, because an accumulation of case-studies does not necessarily add up to one coherent interpretation.¹⁷

Studies emphasizing the 'high politics' of decolonization are mostly general narratives, which tend to view economic, political and strategic factors in isolation from one another.¹⁸ However, important archival sources have been used to explore the 'high politics' of empire and Anglo-American wartime diplomacy, specific regions and, more recently, for a general essay.¹⁹ None the less, few studies treat decolonization as a problem requiring a

systematic investigation of international relations. Rather, decolonization has become the epithet of a period,²⁰ and one author has labelled the problem a puzzle.²¹ Decolonization may well be ultimately inexplicable. However, it is the historian's trade to illuminate historical developments that are not self-evident.

Another strand of decolonization research – and by implication numerous studies of the periphery – attributes a crucial role to anti-colonial nationalism in bringing about the end of colonial rule. Political opposition in the colonies might have severely impeded the imperial purpose, or so unsettled policy-makers that they thought it no longer worthwhile holding on.²² This is a valid argument, although it needs to be joined to an investigation of the nature of imperial relationships and the centre's policy priorities to be able to explain how, where and why change on the periphery affected the imperial centre.

Alternatives to the traditional approaches that interpret the end of the British empire have so far been lacking, unlike in the case of France.²³ Fresh research written under the label of decolonization falls outside the purview of the present investigation because it conceives of decolonization in terms of social change and changes in labour relations.²⁴ A rare, maverick essay links population growth to nationalism and the end of colonialism. But this article does not match its quantitative rigour with conceptual refinement on economic relationships and the politics of economic relations.²⁵

Although the state of research on imperial policy relating to financial relationships is fairly limited, there is a vast body of literature – much of it of high quality – dealing with Britain's external economic and financial relations during the 1940s, 1950s and 1960s. Recent historical studies, and the excellent contemporary work by economists, of the sterling-dollar relationship, sterling policy and postwar Anglo-American relations chart the changes in Britain's position in the world economy from postwar recovery to the implementation of the Bretton Woods Agreement.²⁶ Related research links up with debates on British economic performance, either by highlighting the problems of economic policy in Britain's recovery, or by arguing about the divide between the financial and industrial sectors in the British polity and economy.²⁷ In addition, political scientists and economists have produced a host of valuable literature on global financial relationships.²⁸ Hardly any of this research deals with empire; but some studies have shown an awareness of the necessity of exploring the imperial dimension.²⁹ Other research has been helpful, without saying anything about financial relationships, because it assesses the role of imperial pressure groups and the ideological underpinnings of imperial policy.³⁰ Finally, one ought not to forget the massive research now available on economic institutions and social and political changes in individual British colonies,³¹ as well as recent research on imperial business relations during the period.³²

In summary, a range of literature illuminates aspects of British foreign and imperial relationships. None the less, studies of decolonization have largely bypassed important aspects of imperial economic relations or have not investigated them systematically, while most studies of Britain's external economic relationships and related matters have either omitted the empire or treated specific topics only.

2. The investigation and argument

As will become obvious from this account, changes in interstate relations are not simply the result of the decisions made by policy-makers or politicians; nor are they the inevitable outcome of the necessities of economic growth and global integration. Rather, foreign relations are shaped by the structural environment in which policy is formulated and implemented. To illuminate the transformation in Britain's relations with the empire, therefore, one needs to study the interaction of diverse structural factors at the centre of the empire and on the periphery, and, moreover, of external influences on both. The argument advanced here will grapple with the perennial problems of the interaction of political decisions and economic relations, and the relevance of intentionality and structural conditions for the policy process.

Imperial relationships hinged on the nature of the imperial state and polity. Britain's imperial relations were part of her wider financial and trading relationships based on the pound sterling. The British empire encompassed different social, economic and even political formations. However, imperial territories related to Britain in a specific way. The British empire, though by no means centrally organized in political terms, showed remarkable coherence in terms of economic institutions, and was the core of the sterling area, which embraced a number of independent states too. These relationships were quite distinct from Britain's other foreign relations and those with the overseas periphery in the postcolonial period. Britain jealously retained its prerogative in trading and currency arrangements, especially in times of crises. Therefore, the present argument shows how a specific state and polity framework left its imprints on imperial relations. This argument adds a political dimension of international relations to the debates on British economic performance and the welfare state.

The periphery's role in imperial relations was twofold. On the one hand, social and economic conditions in the colonies affected the centre; on the other, the colonial state depended, by definition, on the imperial centre. Important aspects of colonial policy and the management of the imperial sterling area can be explained in terms of Britain's wider interests in external economic relations. For example, currency boards and marketing boards were features of British colonial rule in many parts of the empire in the twentieth century. The colonial state served as a means of control for

the centre and constituted the periphery's main political arena, which potentially constrained the centre's authority. There, the grand designs of imperial purpose encountered local politics, where debates about trade discrimination and liberalization, the sterling area and central banking took on specific shades of meaning. At the same time, the social and economic environment in the colonies was critical for the functioning of the sterling area in line with British policy designs. However, the socio-economic formations that emerged in the colonies in the 1940s and 1950s also gradually undermined the imperial periphery's role for Britain. This environment was largely given but was, where possible, adjusted by partisan policy, which occasionally prompted conflicts with local political activists.

The present analysis thus joins two layers of analysis – that of the centre and of the periphery – thereby presenting many regional developments in a fresh light. The argument advanced here links up with more general debates on the state and its institutions in economic development, notably colonial financial and marketing policies and central banking. The debates about the currency board arrangements appear in the context of the politics of managing a currency area during a period of commodity surpluses rather than the better known and more recent IMF-led device of structural adjustment after debt and exchange crises. Furthermore, the centre's foreign relations and policy priorities allow an assessment to be made of Britain's seemingly contradictory attitude towards colonial nationalism and its socio-economic underpinnings. This argument may prompt future studies to address the question of how the peculiar strand of welfare capitalism emerging in Britain after 1945 affected the process of state formation, political formations and economic development in the colonies.

Finally, to account for the overall transformation in imperial relations, empires need to be studied in the international context. The imperial centre and the periphery occupied specific places in the international economy in terms of the nature, direction and quantity of their respective trade and capital flows, and in terms of policy orthodoxies, international legal arrangements and even academic opinion. During the period under review, Britain faced considerable difficulties in managing the pound sterling. Her traditional role as a capital market was in crisis and she herself became a debtor. At the same time, Britain had little real influence on the shaping of the international economic order after the war. However, the colonies used sterling for trade and reserves, and provided important export commodities that were a significant asset for the balance of payments of the sterling area. Even so, Britain needed the consent of the United States for protectionist policies that ran counter to US-led international reorganization towards economic multilateralism. The British colonies were locked into the Anglo-American rivalry over influence in the international economy. The colonies served as a counterpoise to the United States in their supporting role for the sterling

area. In this context, protectionist economic planning in the colonies meshed with Fabian thinking about development. At the same time, the dollar as a currency and the dollar area as an import market constituted potential alternatives to the dominant relationship with Britain that began to be seen on the periphery as a straitjacket as new ideas about development emerged. The present argument will show the interaction between economic liberalization and imperial relations during the period, thereby illuminating one episode in the history of globalization. An analysis of the empire in the broad international context (together with an assessment of British policy priorities) should also guard against a simplistic pecuniary argument about imperial 'decline' and the 'cost' of the empire.

A sequence of important economic and political changes emerge from an investigation of the different sets of influences upon imperial relations outlined above. Between 1947 and 1958, relationships first converged during a phase of discriminatory economic management, then diverged during a liberalizing phase, and finally drifted apart after the return to liberal cosmopolitanism at the end of the 1950s. In addition, antagonisms developed between the liberalization in Britain's external economic relations in the 1950s, established colonial economic policies and institutions, and economic demands by nationalist activists in the imperial sterling area. What is more, an examination of British policy suggests that the financial relationship discussed in the study evolved in such a way as to increase the likelihood that imperial control would be abandoned. Until the mid-1950s, political reform had been a means of binding the empire closer to Britain. The retreat from the empire occurred at a time when the empire's economic potential for Britain was considerably diminished and when colonial economic management was under strain in the areas of trade, financial and development policies. Thus, the end of the British empire cannot be explained in terms of the redefinition of the centre's priorities in economic and foreign policy alone. Nor was it in any simple way the result of a mature revolutionary process on the periphery or a continuation of old policies by neo-colonial means.

The economic role of the empire increased considerably during the sterling crises between 1947 and 1953. Huge colonial sterling balances accumulated, which supported Britain's balances of payments. The empire was crucial in re-establishing an equilibrium between the dollar and sterling areas during the time of the dollar shortage. British institutions saw the empire as a temporary support in restoring sterling as the leading international currency in a multilateral environment. In this endeavour, Britain relied on commodity exports from the empire in running the sterling area. In the late 1940s and early 1950s, the dependent sterling area constituted an alternative to the 'old' independent Commonwealth and also to India. Economic adjustment via the empire was a substitute for credits from the United States, greater economic austerity in the independent sterling

Commonwealth, and more stringent domestic adjustment for the management of Britain's recovery and the establishment of the welfare state. British policy focused on commodities where discriminatory management was politically feasible. The emphasis was put on systematic import restraint, dollar discrimination and import substitution, while boosting specific export commodities from the colonies and keeping capital flows to the colonies in check. Until the mid-1950s, the colonial currency boards, and the marketing boards in West Africa, were conducive to the empire's role in sustaining the sterling area.

None the less, as the 1950s wore on, colonial economies became less relevant as Britain's external economic policy moved in a more determined way towards sterling convertibility and cosmopolitan sterling relationships. The dollar gap was closing and the importance of commodity trade in the international economy decreased. The liberalizing state became wary of the practices of discriminatory management in general and of the huge colonial sterling balances in particular. The reduction of sterling balances was advisable in order to increase the appeal of sterling as an international currency, and because the British economy could absorb only a certain volume of withdrawals at any one time. Britain needed to retain influence in the currency and financial domains to check claims on its resources. British colonial policy on currency matters and central banks is evidence of these priorities.

Economic liberalization in the empire was, moreover, problematic because it implied modifications in colonial institutions. Changes in the currency boards and the marketing boards undermined the empire's role in the sterling area and contradicted established financial management. Furthermore, it became clear in the late 1950s that the colonial periphery had little potential for a liberalized sterling area and Britain searched for other sources of support, such as the Middle East. The colonies' demands for capital exports soared, commodity prices increased and trade surpluses decreased, while their economic policies became redefined. Pressures on Britain also mounted from demands on the periphery for an easing of restrictions on dollar imports and for the diversification of reserves.

Socio-economic changes on the periphery, accompanied by a more developed political organization and an enlargement of the economic role of the state, diminished the complementarity between the constituents of the sterling area. In the late 1950s, developmental concerns and political pressures in the colonies prompted demands for managing national economies as part of the global economy rather than as appendages of Britain in the context of the sterling area. Ultimately, the emerging commercial elites on the imperial periphery fitted uncomfortably with British policy priorities in the sterling area and the British conception of colonial economic development. However, the influence these groups could exert on the colonial state and vis-à-vis nationalist movements was in some cases limited.

By the 1960s, the international economic environment had changed and Britain had moved into the post-imperial phase by re-emphasizing its cosmopolitan ties, as the importance of the Eurodollar market shows. None the less, the profound transformation in Britain's economic connection with the empire either occurred or was anticipated in the 1950s, even if ex-colonies did not leave the sterling area before the mid- and late 1960s.

3. Assumptions, limitations, presentation

Some final clarifications of the book's claims, limitations and the presentation of the argument are needed here. The study examines the transformation of Britain's ties with the empire as part of a system of coordinated relations. The investigation is deliberately pitched at a general level of analysis engaging with structural and policy issues in the imperial centre and on the periphery. Economic, notably financial, relationships figure prominently in the narrative because they were critical for Britain's external relations during the 1940s and 1950s. British imperial policy cannot be isolated from this context.

It needs to be emphasized that the book advances an argument about a clearly defined problem in international relations rather than painting a picture of an historical period. The study establishes a hierarchical construct of historical cognition that is falsifiable in its elements. However, with regard to the explanation of the policy decision that led to Britain's retreat from empire, the precise causal link between context and decision is ultimately beyond solution.³³

The study draws on a wide range of archival sources. The major debates relevant to the position of the empire within British external economic and notably financial relations are covered by archival documents from the Public Record Office and the Bank of England. Given the British policy process, the debates of interdepartmental committees were of critical importance.³⁴ The colonies formed an integral part of these debates, even where colonial issues were not their principal topic. Apart from relevant Cabinet decisions, internal debates in major government departments have been analysed systematically, namely the massive material contained in records of the Treasury (especially the Overseas Finance Division), the Colonial Office (especially the Finance and General Economic departments), the Bank of England and, to a lesser extent, the Board of Trade and the Foreign Office.³⁵ The Treasury and Bank of England shaped relations with the empire in the economic realm. But they left political judgements about measures to secure vital political stability in the colonies largely to the Colonial Office. The latter, in turn, had limited influence upon imperial economic policy. In this respect, the Colonial Office Finance Division was a mere subsidiary of the Bank of England.

Of course, it has not been possible to study all the documents relevant to this subject. Documents of territorial departments of the Colonial Office

have been sifted, but used only sparingly. This material is essentially concerned with the management of the day-to-day administration of individual colonies and sheds little light on the underpinnings of British *imperial* policy.³⁶ It also appeared justifiable to exclude private records of prime ministers and colonial secretaries. The present study is not concerned with the 'official mind' of these actors *per se*, though readers should be able to gauge much information about the *dramatis personae* from the notes. The use of Commonwealth archives and the in-depth use of US archives, would have allowed certain aspects of the study to be documented even more fully.³⁷ It should, however, be emphasized that the study does not claim to investigate all aspects of imperial economic policy, but only those that can be said to have been crucial in supporting Britain's overall management of her external economic relations. This limit ties in with the focus put on the exploration of certain territories on the periphery rather than all peripheral territories equally. Finally, the relationship between Britain and the United States has only been incorporated where it can be shown to have affected Britain's relations with the empire, or where it constrained or eased British imperial policy. In all these cases, the ultimate defence is that this is one book and not the several needed to do full justice to this vast and complex problem.

The presentation advances the story in chronological chapters dealing with the problem as a whole rather than in chapters dealing with different subject areas or territories. The main body of the book is divided into four parts of two chapters each. Britain's imperial legacy and the essential issues of imperial economic relations during the period under review are depicted in the first part (chapters 2 and 3). The bulk of the study then discusses changes in the imperial relationship and the logic behind British imperial policy. Part II (chapters 4 and 5) covers the discriminatory sterling area during the structural sterling crises of 1947, 1949 and 1951, when Britain's link with the empire converged. Part III (chapters 6 and 7) deals with Britain's deliberate move towards integration in a liberal economic world order from 1953–56, when her relationship with the empire diverged. Part IV (chapters 8 and 9) marks the move towards the convertibility of sterling in 1958 and beyond into the 1960s, during which time Britain's relationship with empire was stretched until formal control was finally abandoned. Each of these chapters will start with individual sections treating the structural conditions of the imperial relationship; subsequent sections will integrate this context with an analysis of British policy. The conclusion (chapter 10) provides a synopsis of Britain's imperial relations during the period and offers an interpretation of the end of the British empire.

Part I

Britain, Finance and Empire

2

Sterling, Britain's Imperial Relations and the Wider World: The Legacy

Britain exhibited a number of peculiarities in her polity, state, institutions, economy, policy process and policy orthodoxies.¹ The role of the pound sterling in the international economy hinged upon, and in turn affected, these features. The legacy of this singularity can be traced in its impact on Britain's imperial relations via the colonial state and institution-building, and the integration of colonies in the international economy. The relevance to British policy designs of socio-economic and political pressures in the empire is also explicable within this context. However, sterling relationships changed between the mid-nineteenth century and the post-1945 period, from Britain's sterling-based cosmopolitanism to the discriminatory sterling area within narrower geographical confines. This was due to external competition from the United States and Europe, but also resulted from changes in economic relations with the Commonwealth and the empire. These changes need to be grasped in order to place Britain's imperial relations during the 1940s and 1950s in the broader chronological context. Moreover, the particular legacy of the discriminatory management of sterling during the Second World War influenced, in various ways, Britain's imperial relations during global economic liberalization. Britain's past sterling relations and their accoutrements in the empire set both constraints and offered opportunities for Britain's broader designs in her external economic policy after 1945.

1. Britain's singularity

The way Britain was organized and embedded in the international economy and international state system had a bearing on her foreign and imperial relations.² The British polity was characterized by the important role overseas economic relations had played over the centuries in creating wealth in Britain. Within this context a disparity had developed between the export concerns of British manufacturing and the City of London's pursuit of overseas investment and the financing of international trade and services.

A corollary of the latter was the British government's managing of sterling as the world's principal currency of international transactions. The British polity exhibited a marked divide. One social and political web was allied to British manufacturing in the Midlands and the North of England, while another was associated with the financial and service sectors of the economy based in London and the South of England. These sectors boomed in the late nineteenth and early twentieth centuries. Industry and finance did not become integrated in the sense of Hilferding's finance capitalism. The British financial sector kept aloof from industrial management focusing instead on services and merchant banking.³

The organization of the British state and its institutionalization reflects the division of the British polity. Members of Parliament included a number of business representatives. However, the British civil service constituted an entity apart. The service recruited among Oxbridge graduates and sections of British society related to the financial sector rather than among business and manufacturing, and was horizontally markedly immobile.⁴ The British state was weak but centralized and reflected the predilections of free trade and laissez-faire ideas. Between the mid-nineteenth century and the 1960s, this persuasion bore the characteristics of the pivotal role of the financial sector in Britain's external economic relations. In this sense, British institutions had fossilized the ideas of earlier generations of British economic management and are evidence of the balance of power in the British polity.⁵ Moreover, the absence of a written constitution underlay the customary character of the management of the British state. The state's dominant institutions were those which played a role in the management of Britain's financial sector and sterling relationships. In principle, these institutions were non-interventionist. When they intervened, they did so in order to rectify perceived inadequacies in the ideal of a liberal global economic order based on sterling.⁶ Britain's major institutions did not merely fulfil a role in managing her external relations. Rather, the nature of the British state and polity meant that overseas relations were essential in the running of the state.

The British state controlled an economy which was importantly based on generating income from the financing of international trade and services and from overseas investment. The precise role of the financial sector in advancing or hampering British economic growth is the subject of an ongoing controversy.⁷ However, the impact of financial concerns upon Britain's foreign relations is more clear-cut. Sterling relations influenced British foreign policy since they required the maintenance of a strong and stable exchange rate for sterling and of a high level of British capital exports, not least to the overseas members of the sterling group. Moreover, sterling's role as an international currency, in order to be maintained, necessitated a continually wide use of the pound in international trade and as a reserve currency. These prerequisites shaped policy priorities.

Therefore, in the nineteenth century Britain strove to cement the link of sterling to gold, and paid particular attention to the form of the currency system in overseas territories. During the interwar period, Britain aimed at promoting a sterling standard faced with mounting competition and external imbalances in the depression.

In institutional terms, the peculiarity of the British polity attributed a primordial role to the Treasury and the Bank of England (formally independent until 1945).⁸ Both had been guardians of British financial stability since the eighteenth century.⁹ These institutions had acquired even greater prominence by the mid-nineteenth century; their influence eclipsed government departments, such as the Board of Trade, when sterling's and the London money market's international role mounted. The strongest section within the Treasury dealt with overseas finance. The Bank watched over cosmopolitan sterling, while the Treasury put greater emphasis on possible repercussions from sterling relations for the British Exchequer. In a refined capitalist world, this management grew in complexity. Compared to these institutions, the Colonial and Dominion Offices were merely subordinate regional departments in the government machinery.

External financial policy was first and foremost managed by the Bank of England. A disproportionate influence in policy formulation, therefore, fell to a certain strand of technocrats.¹⁰ This institutional asymmetry and the resulting doctrinal bias became more obvious, when the state's conscious role in managing national economies increased in the twentieth century. Bank and Treasury officials wielded in many instances greater influence than politicians since the management of sterling required tackling technicalities with which members of Parliament had only a passing acquaintance or in which they were not interested. Moreover, much of this policy-making had no proper procedures of accountability or clearly defined legal basis. This was even true of Britain's central arrangements in external economic organization, such as the sterling area.¹¹ Parliamentary control in external economic and imperial relations did not exist in the sense that policy required Parliamentary approval. Members of Parliament merely used their position to survey developments on a sporadic basis. Permanent or ad hoc interdepartmental committees decided over the management of external economic relations; the Treasury and the Bank contributed key representatives and often the chairperson. The Governor of the Bank of England had frequent regular meetings with the Chancellor. The Chancellor was Britain's most important Cabinet minister, after the Prime Minister and the Foreign Secretary.¹² Given the institutional peculiarities, doctrinal orthodoxies in external economic policy slanted towards analysing Britain's economic problems from the angle of sterling relationships. The same is true of self-contained legally or quasi-legally defined areas of economic management. Britain effected economic adjustment externally rather than via domestic economic policy and industrial restructuring. Policy-makers, on the whole,

saw capital exports as the *sine qua non* of British economic policy. They were reluctant to compromise Britain's adherence to the gold standard and the maintenance of sterling at a sometimes artificially high rate.¹³

By the 1940s and 1950s, the fundamental characteristics of the British polity of the late nineteenth century were still visible, though the nature of the British state had changed in a number of respects and operated in an international context that differed considerably from the prewar period. The British state still exhibited the traditional free trade principles in its institutions and policies. However, manufacturing became briefly more influential under Labour at the end of the 1940s, and in the late 1950s, the British liberal state became more inclined towards corporatism. The state now also needed to accommodate the demands of a wider spectrum of the population which participated in the political process and which could not be marginalized as it had been in the 1930s. The remodelling of the British party system since the 1920s reflected this trend.¹⁴ In the 1940s, Labour represented a political establishment that was antagonistic to the traditional British state, and advocated a stronger more interventionist state. However, in the 1950s, when the Tories regained power, the antagonism between the institutional and political establishment had again disappeared, though by that time some form of systematic economic planning had become a received necessity of the management of modern states.¹⁵ Moreover, at times of severe economic crises even the traditional advocates and institutions of the inherently liberal British state condoned interventionist policies.

In the 1940s and 1950s, Britain was confronted with unprecedented and vexed problems of economic recovery. Considerable structural and speculative external imbalances coincided with impediments in domestic production and international liquidity shortages. The traditional prerequisites of the management of the British state were seriously affected: sterling was inconvertible; the performance of the London money market was impeded; the pound was weak and its very role as an international currency doubtful.¹⁶ During the period, the Treasury and the Bank retained and even enhanced their dominant position in crisis management, and accommodated new needs of economic management. In 1947, a statistics office was added to the Treasury's already sizeable Overseas Finance Division.¹⁷ Over a period in the late 1940s, the whole machinery of economic management of Britain and her dependencies became integrated in one Ministry of Economic Affairs. Within this framework the Colonial Office became also institutionally part of Britain's overall economic management.¹⁸ However, in the 1950s Britain returned to a more informal cooperation and coordination in the traditional committees, of which the Economic Policy Committee and the Economic Steering Committee were the most important. These committees also addressed imperial issues in so far as they mattered for wider British policy considerations.

On the whole, British policy orthodoxies regarding sterling relations proved very resistant. Even during the crises of the 1940s and 1950s, Britain adopted no coherent strategy in overcoming the formidable obstacles to extricate policy from the various burdensome legacies of her external financial relations.

2. Imperial management

The British empire formed part of the network of external economic relationships that were essential to the management of the British economy. However, the form and extent of this integration and the importance for Britain of imperial territories varied widely. In India, manufacturing and a unified currency and local money market existed already in the nineteenth century,¹⁹ when Africa's integration into the international monetary economy had just begun.²⁰ India was a pillar of British sterling relations in the nineteenth century and again in the interwar period. From the early twentieth century, the British also gradually established the appropriate institutions and legal provisions to make Africa a useful part of Britain's external economic relations. In the new African empire (outside the areas of settlement in Kenya and Rhodesia), colonial rule worked more by its potential power than by its visible presence. At this early stage, the role of the colonial state was to facilitate the activities of British firms, active in colonial commodity trade, rather than playing an interventionist role in economic development. In addition, from 1900, colonial states started to fulfil a function for British sterling relations in providing low-risk outlets for British investors.

The major institutional innovation that Britain introduced in the newly acquired (and some old) colonies were the currency boards.²¹ Their purpose lay in encouraging commerce by regulating the medium of exchange and maintaining the value of the local currency. The British substituted the heterogeneous indigenous currencies in use at that time (ranging from cloth to cowrie shells and gold dust) with colonial currencies pegged to sterling. Put crudely, the currency board arrangements provided for an automatic link of the colony's money supply with its export earnings, and, moreover, fully backed the colonial currency in circulation with sterling. The Crown Agents of the colonies in London (a quasi-governmental institution) managed the investments of the bulk of the ensuing currency funds.²²

Another innovation was the colonial marketing institutions that emerged in various forms in the interwar period in those territories in which smallholder commodity production rather than plantation production prevailed.²³ Their role was again to guarantee the smooth functioning of the export trade and to negotiate production and pricing between local producers and big British export firms. A notable difference existed between West and East Africa. While in East Africa the (mainly) settler producer was

at the same time the exporter, in West Africa the trader was the exporter of commodities. As a result, the need to level out volatile world prices might have been greater in West Africa; this may partly account for the more active role that colonial governments there assumed in price stabilization from the 1930s.²⁴

The integration of peripheral territories in the global economy followed various paths during the nineteenth and early twentieth centuries.²⁵ However, the principal commodities in Britain's African and South-East Asian empire were introduced or promoted by the British during the move from slave production to legitimate commerce in the second half of the nineteenth century. These commodities were meant to substitute those previously produced by slave labour, notably cotton. The most profitable exports, among a wide range of crops, included cocoa in West Africa and rubber in Malaya. Cocoa remained a crucial commodity in the Gold Coast and Western Nigeria (besides groundnuts in Northern Nigeria and palm oil in Eastern Nigeria) from the early twentieth century to the present day, though in Nigeria it suffered from the oil boom of the 1970s. Malayan rubber production was of great importance for Britain from the early twentieth century, and even in the 1950s and 1960s offered considerable resistance to rising competition from synthetic production.²⁶

The orthodoxies of economic policy, that became entrenched in the Colonial Office and among colonial officials, and the administration of institutions reflected Britain's concerns with smooth and lucrative trade relations and their monetary underpinnings. Control of the colonial monetary mechanism was centralized. The currency boards were administered in London, or in some cases by British officials in the respective colonies. The Colonial Secretary issued colonial currency provisions by decree, while the colonial governor, even in the 1950s, held no authority in these matters. The Colonial Stocks Act of 1900 was designed to offer British institutional investors an outlet and channel finance to the colonies.²⁷ On other matters of substance in colonial economic policy, the local administration received instructions in circular letters from the Colonial Secretary on an ad hoc basis. The Colonial Office had previously cleared the course of policy with the Treasury.

British colonial rule in Africa in the early twentieth century and 'indirect' rule in the 1920s exhibited a minimalist economic policy, sometimes labelled 'caretaking'.²⁸ Moreover, British economic policy did not amount to the management of resources for a colonial 'national' economy. Policy was principally concerned with advocating economic austerity and fostering savings in their own right, which later became also visible in the running of the marketing boards. Colonial officials thought that their colonial subjects were not predisposed to the British ideal of *homo economicus*. The British left the promotion of commodity production to incentives produced by external demand, smallholder initiative or private export arrangements.

At the same time, the British excluded expatriate firms from production in the West African colonies, and from the 1930s the colonial state, to an increasing degree, shielded African production from market forces. Colonial commodity production went through stormy periods during the 1930s depression.²⁹ An important example is the Gold Coast that witnessed a series of cocoa hold-ups by local farmers dissatisfied with the prices imposed on them by expatriate traders and constrained to raise cash for taxes levied on them.³⁰ These protests risked upsetting the territory's export performance, and ultimately provoked the colonial government to intervene. In the following, colonial economic policy in Africa became shaped by fears of social and political conflict and coloured by a social imperialist ideology of development and by state intervention with an agricultural bias.³¹

The conditions for colonial economic policy varied considerably across the British empire. None the less, there existed important similarities with regard to those territories acquired at the end of the nineteenth century. Their economies were still based on exports of primary commodities, whereas in the independent Commonwealth and India, local manufacturing and indigenous business interests had given rise to diversified capitalist economies. This made imperial management a delicate affair and made it difficult to reconcile local political claims with policy designs of the Treasury and Bank of England in Britain. This case is borne out by India in particular.³² After the Second World War, India and the independent Commonwealth lost much of their earlier uses for Britain's external economic policy. On the other hand, within the specific framework of the discriminatory sterling area, Britain's African empire became not only firmly integrated with British sterling policy, but a pillar of the sterling system. However, the 'minor' empire itself propped up the sterling area only for a short while. For various reasons, its importance for Britain's external economic relations faded after 1958.³³

After the Second World War, the British remodelled the colonial state. Political organization became more elaborate in many colonial territories, and the colonial administration had to meet these challenges.³⁴ However, this pressure was not equally strong across the empire and in many territories independence was not expected to be obtained for decades. Moreover, political reform was not matched by local participation in economic, especially monetary and financial, institutions. Economic and currency matters remained the prerogatives of British government departments until the formal move of individual territories to independence. For most of the period, the currency boards operated in the orthodox way with full currency cover. The West African marketing boards maintained their official majorities until the mid-1950s. On the whole, Britain retained considerable leverage over the policy formulation and execution where and when it mattered for her requirements in external economic relations. This was notably the case

in West Africa and Malaya from the end of the war to the mid-1950s. The requirements of the discriminatory sterling area greatly increased the role of colonial governments in planning and supervising trade flows and expenditure. At the same time, the African colonies and Malaya retained their predominant economic structure as commodity producers. This supported Britain's management of the sterling area because it minimized competing interests in trade. Moreover, boom prices, notably for cocoa and rubber, were useful for discriminatory sterling management. The British were also able to use political reform as a surrogate for changes in economic institutions and management.

Prior to the Second World War, there existed no elected legislative or executive mechanisms by which local opinion was formally associated with the running of the colonial state. The native authorities diverted local grievances away from the centre of the colonial state. They constituted no step towards a wider political participation of the local population. Still, local resistance to Britain's integration of the African colonies into the global monetary economy at the beginning of the twentieth century soon withered away.³⁵ Before the war, local political organizations encompassed only a small part of the urban colonial population and took the form of welfare associations rather than parties. After the war, Britain created elected political institutions, notably the Legislative Assemblies, which in the big colonies moved towards unofficial majorities in the course of the 1950s.³⁶

None the less, the Fabian-inspired design of imperial socialism after 1945,³⁷ gave rise to a strong colonial state. Unlike under 'indirect' rule, this state now fostered and associated itself with political elites that marginalized local agents of economic change and diversification in the political arena, at least temporarily, by drawing on a diverse political power base and smallholder support. However, prospects for commodities in general and rubber in particular diminished by the end of the 1950s, while economic liberalization prompted local demands for a more active promotion of industries. The well-entrenched British colonial doctrine of economic gradualism with its implicit austerity and emphasis on small-scale agricultural development ironically facilitated the discriminatory management of the sterling area. Yet, during the 1950s this orthodoxy had difficulty in following the twists and turns of British policy guidelines once the sterling area began to be liberalized. On the whole, a distinct pattern of colonial policy and imperial design shaped Britain's relations with the colonies. However, external constraints were influential, too.

3. Sterling relations in context

The pound had played an important role in the world economy since the nineteenth century. Sterling had been closely allied to gold as the guarantor of its value and confidence booster for its users, and Britain was keen

on sustaining the international gold standard.³⁸ Such was Britain's success that, in the last quarter of the nineteenth century, gold-based sterling became hugely and singularly popular as an international currency of trade and reserves, and preferred to gold itself. In the period 1871–1913, the international financial system was effectively a sterling system. By that time, the London money market had become the world's main capital exporter. The financial services provided by the City of London boosted this role, even when Britain's visible trade diminished. Sterling was convenient for many countries not least because British capital exports went primarily to those areas from which the bulk of commodity trade towards Britain and Europe originated. From the mid-nineteenth century down to the First World War, Britain settled imbalances with the United States and Europe mainly by invisible surpluses derived from the Commonwealth, and by Indian surpluses which India had derived from trade with China.³⁹ The Indian rupee's link to sterling, but not directly to gold, moreover, smoothed Britain's management of the gold standard. This arrangement permitted Britain to adjust imbalances by checking the counter-cyclical effects of India's appetite for gold, thus supporting liquidity in a recession but restraining it in a boom.⁴⁰

In the interwar period, the international financial system became diversified and also more volatile, and impeded the global functioning of the gold/sterling standard as it operated before the First World War.⁴¹ New York competed as a financial centre with London. International settlements became more difficult because the close link that previously had existed between the areas of capital exports and trade flows was broken. The United States attracted more trade flows from the periphery, whereas the direction of her capital exports remained the same. Moreover, the British manufacturing base had suffered as a result of the war. When Britain none the less returned to the gold standard in 1925, this had its costs in terms of a sterling exchange rate which disadvantaged British manufacturing. The depression of the 1930s brought the sterling system under further pressure and increased protectionist tendencies. In 1931, sterling was forced off gold and adopted a 'managed' float.⁴² But, in spite of mounting external competition and economic adversity, British capital exports persisted at a considerable level in the interwar period. Britain was able to adhere to an international sterling system, even if only within a regional framework. Britain retreated into the management of the sterling bloc which encompassed Britain, the empire and Commonwealth (except Canada), and a number of other mainly European and Middle Eastern countries.⁴³ These countries used sterling as a reserve and trading currency and obtained preferential access to the London money market. At the outbreak of the Second World War, sterling retreated one step further when Britain suspended convertibility in 1939. This measure marked the beginning of the discriminatory sterling group commonly known as the sterling area.⁴⁴

Meanwhile, Britain's sterling system also created its own problems. Recipients of British capital on the periphery required commodity prices that allowed these territories to service their debts. In this respect the situation was not favourable in the interwar period. Alternatively, the creation and expansion of a manufacturing base on the periphery might fulfil a role in debt servicing. In the British case, preferential arrangements had, among others, a role to play in supporting Britain's overseas sterling relationships in this way.⁴⁵ But this option was often difficult to reconcile with pressures within Britain from protectionist groups, notably Manchester cotton.⁴⁶ In addition, this strategy, to the extent that it was based on imperial preference, assumed that the Commonwealth's most desirable market was of necessity Britain. However, the sheer volume of many Commonwealth products might well require other outlets.⁴⁷ In the case of India, local manufacturing circles were, furthermore, opposed to Britain's management of a high rupee and avoidance of a 'proper' gold standard for India.⁴⁸ None the less, during the interwar period, Britain was still able to keep these problems at bay.

But, by the 1940s, external pressures on Britain's sterling system had substantially increased. During the Second World War, the United States had the advantage that its manufacturing base remained unimpeded by direct war events. More importantly, after the war the United States emerged from its self-imposed isolationism to play an active part in international organization and advocated economic multilateralism. While Britain went through a phase of difficult postwar recovery, the United States took on the role of the world's chief creditor, and the dollar's role as a trading and reserve currency grew.⁴⁹ Britain on her own found it difficult to keep up with the pace urged by the United States to achieve global liberalization. None the less, she continued to have the ambition of re-establishing the pound as a world currency, which, by definition, required multilateral global trade.

In the 1950s and 1960s, Britain was challenged from other quarters, too. International capital flows diversified and their importance for the world economy increased. This undermined further the international role of sterling and the London money market. At that time, confidence in sterling was shaken by Britain's balance of payments difficulties, related doubts about the stability of the exchange rate, and the heavy (potential or real) claims of the sterling balances. In addition, trade between industrialized countries became more important and trade flows changed markedly from the late 1950s. The Commonwealth, too, reoriented its import and export markets away from Britain.⁵⁰ This upset the traditional balancing mechanism of the sterling group and made it gradually redundant. At the same time, a return to sterling cosmopolitanism had only limited success, and the sterling area disintegrated during the 1960s.

For most of its history the sterling system had been based on relationships with primary producers. From the late 1950s, however, Britain had to

restructure her external economic relations in order to be able to compete within the changed framework of the international economy. This requirement was heightened by the fierce competition that emerged from the major economies of continental Europe, now organized in the Common Market. British manufacturing could not remain aloof from this trend.⁵¹ Sterling still played some role as an international currency. However, its importance was seriously reduced, especially after the devaluation of 1967 and the foreign reserve crisis of 1976.⁵² In 1939 the situation had been very different. The establishment of a discriminatory sterling area appeared to be a powerful way of keeping sterling afloat as an international currency, while at the same time sustaining the allied war effort.

4. Discrimination in wartime

The outbreak of the Second World War created peculiar circumstances for Britain's external economic relations. The additional burden on the British economy required cooperation with and some form of assistance from the United States.⁵³ At the same time, Britain introduced tight measures of economic planning and austerity at home and in the colonies in order to avoid a wasteful use of resources. The imperial segment proved to be a valuable asset in Britain's management of the discriminatory sterling area without which her war effort would have been much reduced. During the war, the independent Commonwealth and other independent countries with close ties to sterling played a similar role.⁵⁴

The most important wartime contribution of the sterling periphery was the accumulation of sterling balances, which resulted from the provision of supplies to Britain and the boosting of commodity exports to destinations in the dollar area while cutting down imports, sometimes very severely. To finance the war, Britain heavily relied on the empire and Commonwealth. The accumulation of sterling debts in the sterling area was an important supplement to the use of British foreign exchange reserves and to the lend-lease and reciprocal aid arrangements. The latter mutually allocated supplies between the United States and the allies (including the empire and Commonwealth), which meant that no debts were incurred. However, these provisions required a constant bargaining with the United States and prompted unwelcome linkages, such as demands by the United States that Britain would comply with non-discriminatory trade after the war. By contrast, via the sterling area Britain was able to postpone debt settlements until after the war, though such a delay of consumption by member countries also burdened a postwar settlement and made it politically tricky.⁵⁵

India was the pillar of these wartime arrangements in terms of manpower and production, enabling Britain to accumulate huge Indian sterling debts. The subcontinent maintained and supplied the Indian army and provided small arms and clothing for the allied armies, while Britain

financed operational costs outside India. In 1943, these arrangements were extended to raw materials and food. At the same time, India sustained severe import restrictions, which were in part responsible for the Bengal famine. In addition, the Indian army played a pivotal role in the allies' military campaigns in Asia. India was crucial in carrying Britain through the war financially rather than being a burden, Churchill's assertion to the contrary notwithstanding.⁵⁶

Meanwhile, in her African colonies, Britain put emphasis on dollar saving and was reluctant to introduce planned arrangements for supply during the early phase of the war. Copper was one of the few strategic minerals available in Britain's African empire. The British bought the annual copper output of Northern Rhodesia.⁵⁷ Similarly, Malayan rubber was an important strategic resource in the early period of the war. South African gold eased the British debt burden towards the United States. The fall of France then gave higher priority to the rapid procurement of resources. Japanese advances in the Far East, notably the occupation of Malaya and the threat to India after 1942, further enhanced the role of the African empire. Britain now emphasized sisal and food production in East Africa.⁵⁸ After the United States' entry into the war, Anglo-American cooperation was extended to the use of African resources. From 1942, combined Boards for supply controlled hard fibres, tin, rubber and oilseed. After 1942 local administrations bought colonial export crops in order to guarantee supplies for Britain or the agreed allocation within the Anglo-American arrangements. The joint system made it difficult for Britain to control colonial trade as she saw fit.⁵⁹

None the less, Britain's African empire emerged as a growth area of resources, and thus also for the accumulation of sterling balances. With the Colonial Development and Welfare Act of 1940, Britain departed from the earlier principle of colonial self-sufficiency. However, infrastructural and welfare investments in the colonies during the war were a calculated move by Britain to increase efficiency in production and supply arrangements for wartime uses. The British ensured that the state's agency in development was soon compensated by revenue from the colonies' commodity exports.⁶⁰ The British also debated colonial industrialization in order to foster import-substituting production. But such initiatives were aborted; instead, efforts focused on commodity schemes.⁶¹

When the war ended in 1945, Britain's economy was shattered and her balance of payments problems, rife since the depression of the 1930s, had worsened. Britain had accumulated considerable overseas sterling balances which effectively indebted her to the empire and Commonwealth. This indebtedness cushioned the British balance of payments,⁶² but also constituted future claims on British resources burdening the move towards a liberalized international economic order. The situation was particularly acute with respect to India, which in 1945 held over one-third of Britain's total

sterling balances.⁶³ Britain's African empire held balances that were judged at the time to be substantial. But they were still fairly low compared with what followed after 1947.⁶⁴ During the war, Britain already had made concessions towards India allowing it to hold (limited) dollar and gold reserves. After 1945, a solution of the debt problem proved difficult. Britain's exports were unable to meet the demands to which the balances amounted, and the cancellation of the balances proved politically impossible, not least since Britain was faced with the increased political awareness and improved organization of Indian nationalists.⁶⁵ The political move to Indian independence probably eased the mounting tensions over the sterling balances, and ought to be assessed in this context too.

In the aftermath of the war, Britain was confronted with a search for financial assistance to prevent economic breakdown and to support reconstruction. The United States was the obvious creditor, but proved to be a reluctant one.⁶⁶ The balances issue created an uneasy situation between the United States and Britain. The United States pressed for the cancellation of Britain's balances in order to allow international economic reform. Britain, by contrast, saw the balances as a bargaining chip to put pressure on the United States to be more forthcoming with credits.⁶⁷ The result was an antagonistic alliance in the creation of the liberal postwar economic order. The United States pushed forward. Britain, intent on regaining the upper hand in the international financial system, manoeuvred carefully in order to obtain the breathing space she required for economic recovery.⁶⁸

5. Conclusion

The peculiar legacy of the British state attributed a key role to sterling relations in Britain's foreign economic relations. This fact is relevant to the analysis of Britain's imperial relations in the 1940s and 1950s in three main ways. Britain's institutional framework, policy process and orthodoxies, underpinned and coloured imperial policy as part of her overall external relations. Moreover, the legacy of colonial institutions, colonial rule and the socio-economic and political conditions in the empire constrained or eased Britain's external economic management. Finally, constraints and opportunities also emanated from external factors, notably the international economy and Britain's position as the hub of international financial and trade relations. These factors had the potential both to alter Britain's structural relations with the empire and to undermine her policy objectives. This linkage, therefore, needs to be explored in a systematic way. In all three areas, a noticeable transformation occurred between 1947 and 1958, even if some of these changes may appear less significant when set within a broader time frame. Britain's external (economic) relations and imperial relations were very different at the beginning of the 1960s from what they had been in 1947 or during the interwar period.

An understanding of the singularity of Britain and the associated legacy of sterling relations is essential for the study's main argument about the causes of change in Britain's imperial link in the 1940s and 1950s.⁶⁹ Moreover, a better comprehension of this discussion requires some knowledge of the key economic data concerning Britain's imperial relationships during the peacetime period of the discriminatory sterling area. The following chapter surveys this dimension.

3

Britain, the Sterling Area and the Empire: Key Economic Relationships, 1947–58

A survey of the structure of Britain's imperial economic relations between 1947 and 1958, and of changes in the quantitative and regional importance of the pertinent data, will facilitate the understanding of the study's argument about the connection between British imperial policy and financial politics. The aim is to give a synopsis that is not readily available elsewhere, to which readers can return for reference.¹

Recent research on the sterling area has presented the pertinent statistics on the sterling balances and sterling area capital flows,² while studies of colonial development have established valuable statistics on colonial trade³. However, the former investigation does not enter into the details of imperial sterling relations, while the latter strands of research focus on the periphery and are not part of an analysis of Britain's management of the imperial sterling area. Contemporary and near-contemporary publications have proved helpful in formulating the argument of this chapter.⁴ These studies provide evidence about general sterling area relationships, especially the sterling balances,⁵ and often touch upon the political dimension.⁶ None the less, specific issues relating to the empire can only be analysed authoritatively on the basis of archival documents.

Some economic technicalities have crucial political implications, as is the case with the sterling balances of individual colonies, the liquidity of colonial investment funds and the official judgement of 'excess' balances.⁷ The analysis will quantify and explain these specific issues after setting out the wider context of Britain's problems in external economic relations,⁸ and of colonial trade and capital relations. Our investigation adapts rather than adopts statistics from archival and official sources, but indicates where contemporary scholarly comment is available and applicable.⁹ For the purpose of this study, emphasis will be put on issues that entered the general policy evaluation and performance issues closely related to it; issues relevant to the performance debate in its own right and many specific technicalities of economic management cannot be addressed. In the simplest terms, the period falls into two main parts. The period 1947–53 was marked by discriminatory

economic policies, while a gradual liberalization took place in the years down to sterling's convertibility in 1958.

1. Britain and the international economy

In the immediate aftermath of the Second World War Britain's economy was on the verge of collapse. As a centre of the management and financing of international trade, Britain required a large and secure reserve position. But, in 1945, reserves were virtually depleted and Britain was heavily in debt. Moreover, Britain suffered from structural problems in her balance of payments. These factors combined to provoke repeated sterling payments crises, of which the most severe were the convertibility crisis in 1947, the devaluation of the pound by 30 per cent in 1949, and the crisis in 1951.¹⁰

The level of Britain's reserves in gold and convertible currencies, mainly dollars, was particularly low following the crisis of 1947. It was again under severe pressure during the Suez crisis in 1956, and improved significantly only in the late 1950s.¹¹ Britain's overall balance of payments on current account was volatile during the period. According to the official view, an annual surplus of between £200 million and £350 million was required to support sterling's role as a currency of international trade.¹² However, this aim was never achieved, though Britain came close to the target in 1950 and 1958.¹³ During the period 1947–56, Britain's invisible balance performed significantly better than her visible balance.¹⁴ In the late 1940s, Britain had one fundamental difficulty with her balance of payments: while she was carrying surpluses with the overseas sterling area, she was running considerable deficits on her account with the dollar area. This situation reflected the well-known European dollar shortage.¹⁵ The current deficits became less marked as the 1950s wore on, and turned into surpluses in 1958 and 1959.¹⁶ At the same time, Britain's dollar gap levelled out. But, in the late 1940s and early 1950s Britain was highly dependent upon external credit arrangements to improve her balance of payments and cushion her reserves in the short term. This was even more necessary because she had committed herself at Bretton Woods, and bound herself in the Anglo-American loan agreement of 1945, to make sterling convertible. In the long term, a strategy had to be sought that would tackle the balance of payments and reserve problems, as well as problems on the capital side epitomized by potential claims of huge short-term liabilities in the form of overseas sterling balances.¹⁷

From 1947 to 1953, Britain managed her critical balance of payments and reserve position by external means while maintaining cheap money policies at home and relied heavily on the sterling area, which formed a common currency bloc with Britain.¹⁸ After 1953, internal economic management ultimately prevailed in stabilizing the balance of payments and reserves position by means of a stringent Bank Rate.¹⁹ The sterling crises of

1955 and 1958 were different in kind from the earlier ones, since they were due to speculative flows under conditions of *de facto* (non-resident) convertibility of sterling on current account. Meanwhile, the discriminatory management of the sterling area subsided. However, Britain sought to re-establish some form of sterling area under conditions of liberalized trade and payments in anticipation of official sterling convertibility, eventually introduced in 1958.²⁰

Britain's discriminatory external economic policies in the 1940s and early 1950s, and the move towards convertibility, hinged on her relations with the United States. What mattered for Britain's external economic relations, because of her current account problems, was the dollar area as a market, the United States as a source of credits, and indirect financial assistance via defence cooperation. What mattered, because of Britain's problems on the capital side of the balance of payments, was US cooperation on convertibility, or acquiescence to delay such action, and consequent support in the International Monetary Fund (IMF) and the World Bank.²¹

Other non-sterling relations that were of growing importance for Britain during the period were those with Western Europe. In the late 1940s, Britain needed to solve the problem of the siphoning of gold reserves into the then powerful Belgian economy. Subsequently, Britain became bound up more closely with Europe as a result of the Marshall Aid arrangements and the creation of the European Payments Union (EPU) in 1950. Within this context a noteworthy surplus problem developed immediately after the foundation of the EPU. European relations again became more important for Britain from the mid-1950s as inter-industrial trade was on the increase. They also became more problematic, when initiatives on the continent towards the creation of a common market had the potential of disturbing Britain's established trade and payments arrangements.²²

Britain's economic relationships with the overseas sterling area gained prominence during the period under review due to her weak position within the international economy and *vis-à-vis* the non-sterling world. Between 1939 and 1958, when sterling was legally inconvertible, payments were settled multilaterally within the sterling area, while discrimination occurred *vis-à-vis* the world's other trading blocs, notably towards the dollar area. Britain was at the centre of the sterling area's clearing arrangements and performed the role of banker to the area. Payments were based on sterling. The currencies of member countries were pegged to sterling at a fixed rate. Members held their currency reserves in sterling in London. Special arrangements governed financial and monetary matters in colonies.²³

The nature of this discriminatory currency-cum-trading bloc makes it essential to observe the development of overall trade flows and trade balances between Britain and the overseas sterling area, as well as between the sterling group and the world's other large trading blocs. Trade flows show the changing relevance of the overseas sterling area for the British national

economy, and also which parts of the sterling system constituted the pillars and which parts were the beneficiaries of this multilateral clearing system. Further indications of performance can be obtained from figures on the current balance of payments of Britain, the sterling area and its constituents. These general relationships will be discussed below, the empire's place in them in the subsequent sections.

The trend in Britain's non-sterling trade flows experienced a notable change between the mid-1940s and early 1960s.²⁴ The share of the value of Britain's total visible exports and imports towards Western Europe increased, and North America and Europe together had overtaken in quantitative importance the sterling area as a market for British exports by the end of the 1950s.²⁵ Britain's importance for the overseas sterling area as a whole as an import market remained roughly the same throughout the 1950s; her importance for the independent sterling area diminished. The situation is more striking if one takes Britain's importance as an export market for the sterling area. However, Britain still remained the area's single most important trading partner.²⁶ The overseas sterling area's current balance of payments with the United States (Figure 3.1) (important because of Britain's need for dollars) showed a heavy deficit in 1947, slightly less heavy deficits in the years 1948 and 1949, and surpluses from 1950. However, the deficits of the overseas sterling area were less heavy than those of Britain, and in 1951 the overseas sterling area was in surplus, when Britain incurred a heavy deficit.²⁷ The independent overseas sterling

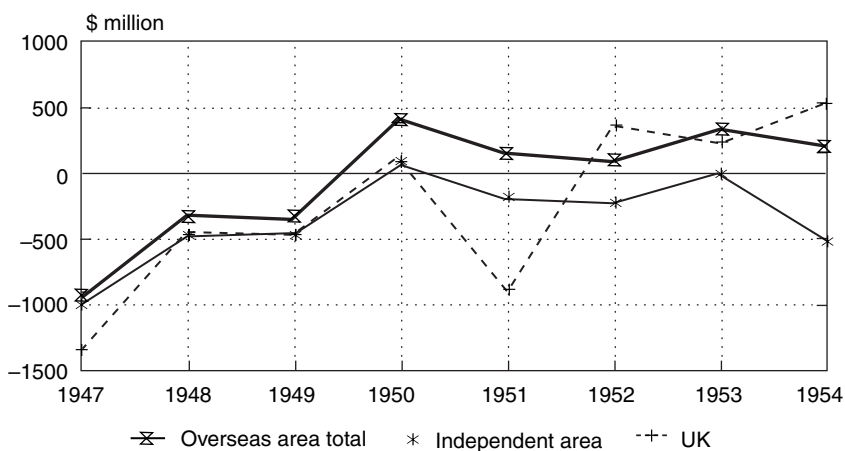


Figure 3.1 Current balance of payments with the United States: overseas sterling area, independent sterling area and the United Kingdom, 1947–54

Source: Sterling Area Statistical Comm. CAB 134/582-585; T 236/3842-3850; T 229/284.

area's balance with the United States was similar to that experienced by Britain in the years 1947–50, though the independent sterling area had a less heavy deficit than Britain in 1951. However, in the years 1952–54, when Britain was in surplus, the independent overseas sterling area was in deficit, and in 1954 heavily so.²⁸

Seen merely from the perspective of trade and payments flows there were clear net debtors and net creditors in the sterling area. Marked variations existed within the overseas sterling area as an examination of Britain's relations with the dependent sterling area will show. On the whole, with regard to the crucial non-sterling relations Britain was on the receiving end during the periods of structural sterling crises. In so far as the overseas sterling area's performance in dollar and other hard currency markets, compounded by checks on overall imports, was superior to that of Britain, it constituted a means of supporting Britain's national economy during a period of crisis; in so far as its performance was inferior to that of Britain, it exacerbated her problems. In the course of the 1950s, the economies of Britain and the constituents of the independent sterling area became less entwined as the dollar shortage eased. Moreover, independent members of the sterling area, to an increasing extent, held their own gold and dollar reserves.²⁹ But in the late 1940s and early 1950s the overseas sterling area provided important support for Britain's national economy. The essential distinctive feature of sterling area arrangements during the period was related to the capital side. The process and rate of accumulation of the sterling balances, as well as changes in their regional distribution, suggest important lines of enquiry regarding their accumulation. Moreover, a survey of the direction of overall overseas investment flows can serve as an indicator of Britain's priorities and capacity in pursuing her traditional role as capital exporter, and can also clarify possible links with the accumulation of the balances.³⁰

Since the mid-1920s, when Britain gradually moved from some form of gold standard to what effectively became a sterling standard, independent Commonwealth countries and the empire had been encouraged to hold their currency reserves in sterling in London, rather than accumulating gold reserves of their own. When the sterling bloc came into being in the 1930s, other countries joined it and held their reserves in London too. Especially between 1939 and 1958, when sterling was officially not convertible, large balances of overseas sterling area members accumulated in London during periods of austere economic policies in member countries, restrictive international trade policies and world commodity price booms. This accumulation was principally due to 'unrequited' exports by sterling area members, and also constituted a corollary of their pooling of earnings of convertible foreign currency in lieu of themselves accumulating it. The level of balances increased far beyond (in 'excess' of) the trade and reserve requirements of member countries. Moreover, sterling balances also

accumulated because countries outside the sterling group with important sterling trade relations held their working balances in London.³¹

The sterling balances device and the pooling of reserves helped to sustain the sterling area as a whole and contributed to ease Britain's balance of payments and reserve problems during and in the aftermath of the Second World War. The effects and usefulness of this device depended, among others, on the feasibility of trade discrimination and checks on convertibility or, alternatively, the commitment of member countries to maintain a high level of balances by means of austerity policies or during boom periods. The political management of the sterling balances was rather more feasible within than outside the sterling group, and easier with respect to dependent than with respect to independent constituents. However, a political strategy regarding the balances presented inherent contradictions in the long run and ideal conditions were unlikely to prevail. 'Excess' sterling balances were 'sound' only as long as Britain's reserve position was equally 'sound'. Otherwise, they entailed risks. They not only cushioned Britain's balance of payments but also concealed structural economic problems in Britain. Any faltering in confidence in the stability of the pound (and, therefore, its suitability as a reserve currency) led to increased pressure to reduce the 'excess' balances from overseas countries. Pressure could materialize as fully-fledged reserve crises, as was the case in 1947, when a move towards the convertibility of sterling was attempted. Withdrawals were, in principle, possible at short call, since these were mostly reserves held as short-term liabilities. However, the occasional self-restraint, due to fears that the entire system might collapse, cannot be ruled out. Given Britain's feeble reserve position, Britain was vulnerable to pressure from possible withdrawals. The situation then called for desperate counter-measures, such as agreements on the blocking of balances or the suspension of imports. The alternative was, in the simplest terms, structural changes that would improve Britain's reserve and balance of payments position and some reduction in the balances by way of funding them, or a controlled reduction by instalments. A variation of the funding option, within the framework of international economic management via the Bank of International Settlements, was eventually implemented after the sterling crisis of 1967.³²

The rate of accumulation of the overseas sterling balances during the period suggests a distinction between the overall accumulation and that of sterling area members (Figure 3.2), and, furthermore, a distinction between independent and dependent members (discussed later in this chapter).³³ During the Second World War, the overall level of the sterling balances increased about five-fold. But instead of a decrease after the war, the overall balances accumulated further. Increases occurred in every year except in those that developed sterling crises, when rapid withdrawals of overseas sterling occurred that could not be sufficiently dampened by Britain's

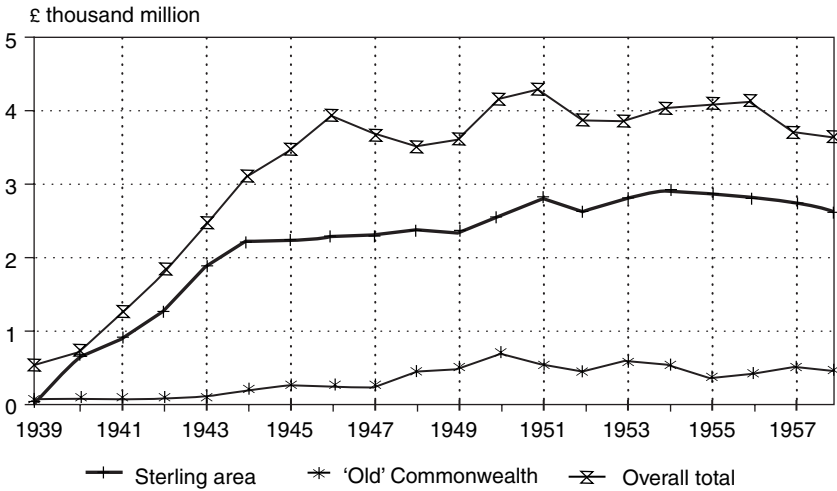


Figure 3.2 Accumulated sterling balances: overall total and sterling area, 1939–58
 Source: Cmnd.8065; Cmd.122; Cmd.977; Key statistics.

reserves. The worst of these crises occurred in August 1947 and at the end of 1951, when withdrawals of overall sterling balances by about 9 per cent took place in both years. The years that show the highest annual rate of accumulation were 1946–7 with 6 per cent, and 1949–50 with 8 per cent. The balances of the overseas sterling area developed largely parallel to the overall total, of which they constituted roughly 70 per cent in the period 1941–58. However, a distinction between the periods 1941–7 and 1947–58 shows a rate of accumulation of 69 per cent for both areas in the first period, whereas in the second period the balances of the overseas sterling area accumulated somewhat faster, namely by 13 per cent compared to only 2 per cent for the overall total.

These figures are of interest within a comparative territorial setting.³⁴ The movements in the accumulation of sterling balances were rather more striking for the 'old' Commonwealth countries, Australia and New Zealand. (South Africa's importance for the sterling area lay in its role as a gold exporter, whereas it held only insignificant levels of balances.) The rate of increase of this group over the period 1947–51 was about 68 per cent, whereas there had been a decrease of 27 per cent between the end of the war and the convertibility crisis. However, while the overall sterling area balances remained at a high level thereafter, by the end of 1957 those of the area's independent part had been reduced to a level that was considered to be insufficient even for reserves purposes.³⁵ India shows a different picture. Indian sterling balances continuously decreased from a very high level in 1947, when they made up about one third of all overseas sterling

Table 3.1 Britain's current balance of payments: investment and financing account, 1946–56 (£ million)

Grants (to UK+)	Investment (-) Borrowing (+)	Overseas Sterling Holdings Increase (+) Decr. (-)	Drawings on (+) Additions to (-) Gold and \$ Reserves	Balance Surplus (-) Deficit (+)
1946	—	+318	-54	+298
1947	+30	+7	+152	+443
1948	+138	+143	+55	-1
1949	+154	-372	+3	-31
1950	+140	-98	-575	-300
1951	+43	-350	+344	+403
1952	—	-92	+175	-247
1953	—	-175	-240	-188
1954	—	-235	-87	-228
1955	—	-17	+229	+79
1956	—	-243	-5	-233

Source: Cmd.122.

balances, to an insignificant level that was judged as insufficient for reserve purposes by the British.

In the late 1940s and early 1950s, when it mattered, increases in overseas sterling balances contributed to financing Britain's current account deficits and to cushioning the reserves (Table 3.1).³⁶ The important deficit of 1947 was financed in the following way: 34 per cent by drawing on reserves, 1.6 per cent by borrowing, 6.8 per cent by grants to the United Kingdom and 57 per cent by increases in the sterling balances. In 1951, the current deficit was augmented by heavy investment, and then financed by drawing on the reserves (46 per cent), by grants to the United Kingdom (5.7 per cent) and by increases in the sterling balances (49 per cent). In the years when Britain's current balance of payments was in surplus, increases in the overseas sterling balances and foreign exchange earnings improved the British reserve position in the following way. In 1949, such increases augmented the funds available for investment or for cushioning reserves by roughly 50 per cent, in 1950 by 35 per cent, in 1953 by 55 per cent and in 1954 by 29 per cent.

2. Colonial trade and payments relations

The colonies occupied a unique position in Britain's relations with the international economy and the overseas sterling area. They were locked into the sterling area in a specific way due to the peculiarities of the colonial financial and monetary arrangements. The empire constituted a pillar

of the discriminatory sterling area during the 1940s and early 1950s, and posed intricate problems in the second half of the 1950s, when the move towards sterling convertibility and economic liberalization was undertaken. The imperial sterling area's performance in its trade with Britain and the important non-sterling world was bound up with Britain's imperial capital relations, notably the accumulating sterling balances.

The balance of payments on current account can serve as one indicator of colonial economic performance and also of the changing role of the empire for Britain. However, emphasis here will be given to trade balances. This is rather more feasible in view of available reliable statistics,³⁷ but can, with circumspection, also be justified by the fact that commodity trade was particularly important for the colonies. None the less, under certain conditions, balance of payments and trade deficits followed a peculiar logic within wider international settlement arrangements, and this should caution against any straightforward deduction of the importance of a region for the sterling group from these variables alone. The following comparative account is based on a colonial group comprising East Africa, West Africa, the Malayan area and the West Indies.³⁸ Entrepôt centres and strategic outposts will receive minor attention, as will, for specific reasons, the Rhodesias.

The overall trade balance (Figure 3.3) of the so-defined colonial (and ex-colonial) group exhibited minor surpluses in the years 1948 and 1954, large surpluses in the years 1950 and 1951, minor deficits in the years 1947, 1949, 1952 and 1953, and somewhat larger deficits in the years from

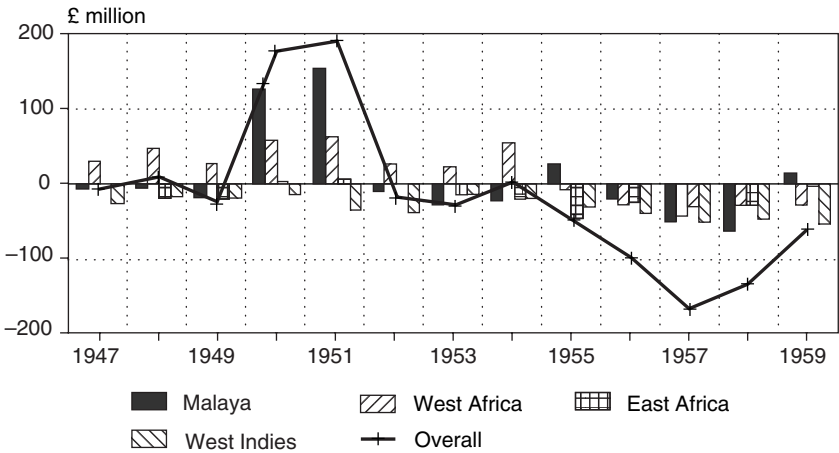


Figure 3.3 Overall and selected colonial trade balances (excluding Hong Kong), 1947–59

Source: *BOI*; *Digest of Colonial Stat.*; T 236/3562.

Table 3.2 Export/import ratios of colonial sub-groups, 1947–59 (percentage)

	Malaya	West Africa	East Africa	West Indies	Overall
1947	97	149	82	64	98
1948	98	162	71	77	103
1949	92	125	76	79	95
1950	138	151	104	86	129
1951	128	146	107	71	121
1952	98	114	100	72	98
1953	94	112	89	90	97
1954	94	130	87	87	100
1955	106	98	72	81	95
1956	97	90	86	79	90
1957	91	84	81	75	85
1958	87	90	97	79	88
1959	103	92	100	73	95

Source: BOTJ; *Digest of Colonial Statistics*; T 236/3562.

1955 to 1959.³⁹ The West Indies were always in deficit as was East Africa, except in the years 1950 and 1951. Malaya carried huge surpluses in 1950 and 1951, and minor ones in 1955 and 1959. West Africa was in considerable surplus from 1947 to 1954 and in modest deficit from 1955 onwards.⁴⁰

A measure of trade performance can be obtained by setting the value of exports against that of imports in a given year (Table 3.2). A comparison of the export/import ratios of different colonial sub-groups suggests that, in terms of the area's absolute trade performance, West Africa occupied the first rank during the period 1947 to 1954, and during those years importantly contributed to the performance of the colonial group as a whole.

The assessment of the current balance of payments of the colonies is more difficult than that of the simple trade balances. Within the responsible government departments, such calculations for the colonies were only beginning to be undertaken at the end of the 1940s.⁴¹ The main problem is that invisibles were only inadequately accounted for in available calculations, even if the government departments concerned were aware of their importance in certain cases. The problem was particularly acute in the West Indies because of the tourist trade. Other omissions were defence expenditure and grants. Moreover, the calculations available from the early 1950s often used overall totals (excluding Hong Kong) which make comparisons difficult. Figures for the period 1948–52 from official sources indicate medium-sized deficits in 1948 and 1949, huge surpluses in 1950 and 1951, and a somewhat smaller surplus in 1952, as well as a modest deficit in 1953.⁴² The overall colonial balance was, then, roughly even until 1956, when a somewhat heavier deficit occurred. However, it was expected to be

roughly in balance thereafter.⁴³ Other available figures differ in that they show a roughly balanced position for 1948, a modest deficit in 1952 and rather larger deficits in 1953 and 1954.⁴⁴ A crude comparison with the trade balance suggests that, not surprisingly, the colonial current balance of payments was worse than the trade balance. However, the differences seem not to have been marked. From a comparative perspective, the balance of payments of the colonial group, as a whole, and even more so of certain colonial sub-groups, was better during the period of the late 1940s and early 1950s than that of the independent sterling Commonwealth except Australia.⁴⁵ This overall picture is, however, rather more striking with regard to colonial non-sterling relations.

In view of the organization of international trade during the period and Britain's economic malaise, the performance of the colonial group in its relations with the world's main trading blocs outside the sterling area was important.⁴⁶ On the whole, between 1948 and 1952, the colonies carried huge surpluses in their current balance with the dollar area, and a modest deficit with other non-sterling countries (notably OEEC). A slight surplus existed with Britain, and a rather larger deficit existed with the independent sterling area.⁴⁷ This is radically different from the pattern of the independent sterling area, where a deficit with Britain, and at the same time a marked deficit with the dollar area, was the rule (Figure 3.4).⁴⁸ The European dollar shortage during the 1940s and early 1950s suggests that it is worthwhile looking more closely into patterns of colonial dollar surpluses, colonial dollar receipts and expenditures, as well as trade flows.

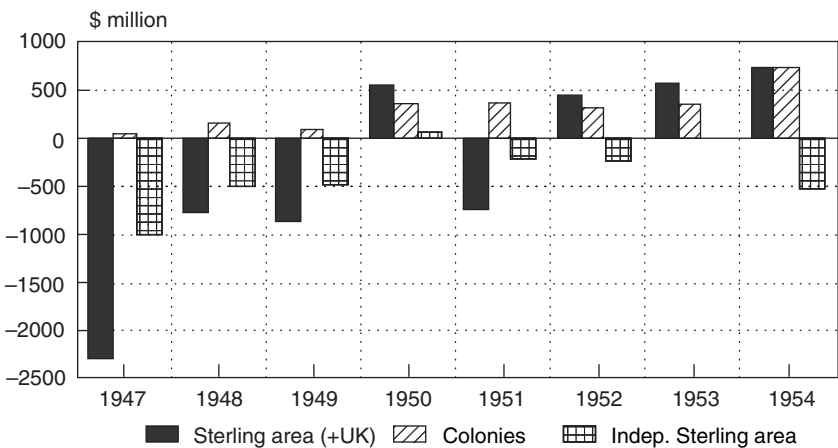


Figure 3.4 Current balance of payments with the United States: sterling area (including the United Kingdom), colonies, independent sterling area, 1947–54

Source: CAB 134/582-585; T 236/3842-3850. 1947 figures include Egypt.

The trade balance shows huge surpluses by the specified colonial group with the dollar area in the years 1950–54, and considerable surpluses in the late 1940s. The highest surpluses in absolute terms occurred with Malaya; West Africa came next. By contrast, from the end of the war until 1949, and in 1952, the independent sterling area carried heavy trade deficits with the dollar world.⁴⁹ Similarly, the current balance of the overall colonial total, this time with the United States alone, shows medium-sized surpluses in 1947 and in the years 1950–3. In 1954, the surplus soared to about twice the 1953 level. At the same time, the independent overseas sterling area experienced enormous deficits in the years 1947–9, 1951, 1952 and 1954. The colonies not merely eased the dollar balance of the overseas sterling area, they compensated for the deficits incurred by its independent constituents. Between 1947 and 1952, the colonial contribution to the sterling area's dollar pool outweighed by 1.5 the drawings of independent members from the pool.⁵⁰

By far the largest dollar receipts from exports to the dollar area in the specified colonial group were attributable to Malaya (Figure 3.5). During the entire period between 1947 and 1953 the value of its imports reached about two and a half times that of West Africa, which came second, and amounted to about two-thirds of the total. West Africa made up about one quarter.⁵¹ Malaya's level of expenditure on imports stood at about one-third of the total.⁵² The West African level was much lower, amounting to only a little more than 10 per cent of the total. Between 1947 and 1953,

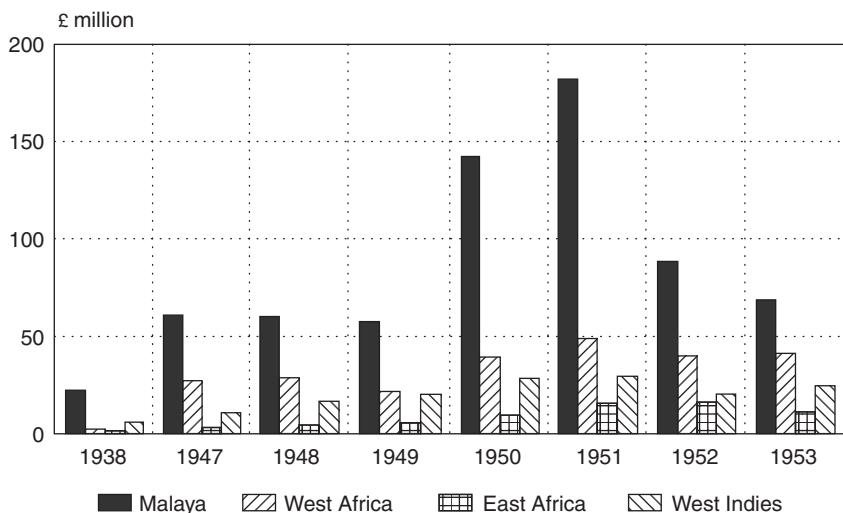


Figure 3.5 Current value of colonial exports to the dollar area by selected areas, 1938 and 1947–53

Source: CO Reports; *Digest of Colonial Statistics*.

exports to the dollar area by the colonial group made up about one quarter of exports to all areas in value terms, though slightly less than 20 per cent in 1953. The important exporters were West Africa, Malaya and the West Indies. East Africa was far less important. While the other areas exported mostly to the United States, the most important markets for West Indian exports were Latin America and Canada. Colonial export flows show no striking reorientation during the period, and even a decrease in their share towards dollar markets. The exceptionally low share of Malaya in 1951 is noteworthy, as is that for West Africa in 1949.

However, during the same period noticeable changes occurred in import flows from the dollar area by the colonial group (Figure 3.6). While total imports for the West Indies were very high, imports by the three other colonial areas were very low indeed and decreased markedly during the period. In West Africa, the share of imports from the dollar area plummeted from slightly less than 20 per cent in 1947 to slightly above 10 per cent of total imports in 1948, and to a share of between 5 and 6 per cent for the remaining years. In East Africa, the pattern was similar. Malaya experienced a slight increase between 1947 and 1948, but then saw its share reduced by half in 1949, and halved again in 1950.

From the perspective of the functioning of the sterling area, a more important measure for colonial relations with the dollar area than simple changes in the comparative importance of import and export markets is the

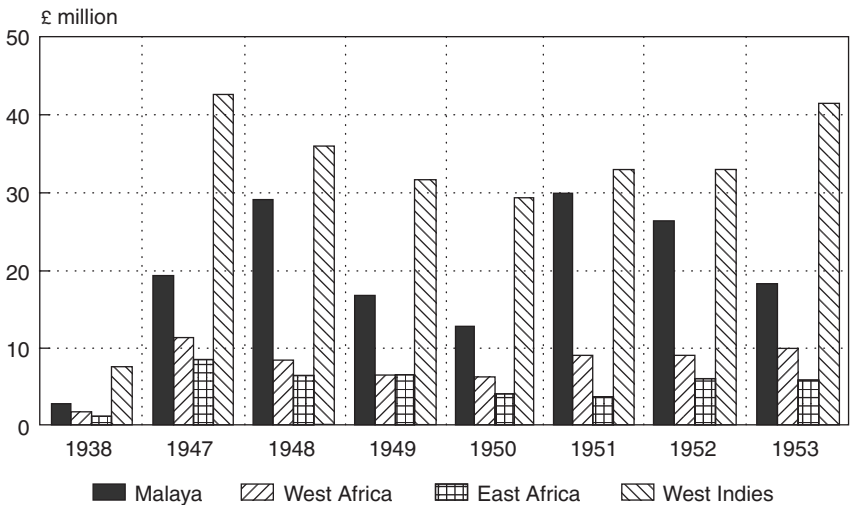


Figure 3.6 Current value of colonial imports from the dollar area by selected areas, 1938 and 1947–53

Source: CO Reports; Digest of Colonial Statistics.

Table 3.3 Index of import values of colonial imports from the dollar area compared to the overall import index, 1948–53 (base year 1947 = 100; (1) overall, (2) dollar area)

	Malaya		West Africa		East Africa		West Indies		Overall	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1948	131	152	128	76	150	79	106	85	128	99
1949	135	87	181	57	192	78	114	75	146	75
1950	213	67	190	55	182	49	130	69	188	65
1951	347	156	263	79	265	45	n.a.	n.a.	n.a.	n.a.
1952	274	136	n.a.	n.a.	304	71	n.a.	n.a.	n.a.	n.a.
1953	235	94	319	85	289	67	201	97	250	92

Source: *CO Reports*. n.a. not available.

Table 3.4 Export/import ratios of colonial sub-groups with the dollar area, 1938 and 1947–53 (percentage)

	Malaya	West Africa	East Africa	West Indies	Overall
1938	783	117	100	75	236
1947	315	241	38	25	125
1948	209	332	69	47	138
1949	348	337	82	64	172
1950	1098	622	221	96	413
1951	602	567	405	89	363
1952	336	500	260	19	213
1953	374	421	189	59	193

Source: *CO Reports*.

colonies' relative performance in value terms (Tables 3.3 and 3.4). Compared to the base year 1947, the value of imports from dollar markets experienced a drastic reduction. Overall imports increased by 2.5 in value between 1947 and 1953. But imports from the dollar area fell by about 8 per cent in the same period, and lay considerably below that in the years between. They stood at about three-quarters of the 1947 level in 1949 and at about two-thirds in 1950. In 1948 and 1949, West Africa experienced an import level from the dollar area of almost half the 1947 figure in value terms.⁵³ Put differently, during the seven years between 1947 and 1953 the colonial group exported on average 2.5 times as much in value terms to the dollar area as it imported from the dollar area, and about four times as much in the years 1950 and 1951. In the years 1948 and 1949, West Africa exported about 3.5 times as much to the dollar area as it imported, and between 1951 and 1953 on average about five times as much. A peak was reached in 1950, when the value of exports was more than six times the value of imports.

For Malaya, the corresponding ratios were 2.8, 4.4 and 11. This suggests that surpluses by the colonial group with the dollar area were importantly attributable to decreases in, and the maintenance of, a low level of imports rather than merely to increases in the value of exports.

As for trade with continental Western Europe, the colonial group's balance was hugely in surplus for most of the years, and in balance in 1947. Malaya was largely responsible for this surplus, whereas the West Indies were mostly in deficit.⁵⁴ The year 1951 marked a sudden soaring in imports, which almost doubled for East and West Africa together, making up about 20 per cent of imports from all areas. This correlates with a huge British surplus within the EPU. A similar episode occurred in the sterling area's payments relations with the rising economy of Japan in the early 1950s. Japan's sterling balances had swollen to about six times their usual level between August 1951 and August 1952. During this period, the colonies, which imported sizeable amounts of textiles from Japan, saw their level of Japanese imports reduced, and subsequently again increased, when the Japanese balances had fallen unduly, notably related to wool imports from Australia and New Zealand.⁵⁵

Colonial trade with Britain and the independent sterling area constitutes the counterpart of colonial non-sterling relations. Over the period 1947–53, the value of exports by the colonial group to Britain made up about one-third of its exports to all areas, and rather less than one-third in 1950. At the same time, the group's imports also made up about one-third, and rather more so in 1949. Considerable variations existed between different colonial sub-groups. For West Africa the share of total exports was about 60 per cent and the import share slightly less. For Malaya the export share stood only at about one-seventh in most of the years and imports in value terms stood at about one-fifth of total imports.⁵⁶ On the whole, the period shows a slight trend towards increased import dependence by the colonies on Britain.

The overall trade balance was positive or roughly balanced, but in medium deficit in 1949. The colonial trade balance with Britain showed persistent medium deficits for East Africa, and equally persistent medium to high surpluses for West Africa. Malaya had slight to medium deficits, except for 1950 and 1951 when it had a surplus. The West Indies show mostly small deficits. Therefore, it was West Africa that was solely responsible for the positive, or only limited deficits, in the overall balance of this colonial group.

Trade levels between the colonial group and the independent sterling area remained fairly stagnant during the period 1947–53. The colonial group's share of exports was about slightly less than 10 per cent of exports to all areas, and around 10 per cent for imports. The group, therefore, incurred a small deficit vis-à-vis the independent sterling area. However, East Africa was always slightly in surplus, whereas the other areas, West

Africa, Malaya and the West Indies, were slightly in deficit most of the time. No heavy fluctuations occurred with the exception of a notable surplus of Malaya in 1951 and a corresponding deficit of Malaya in 1952.

3. Colonial capital relations

Colonial sterling balances accumulated by a different process, though in principle as the result of the same underlying economic relations as those of independent sterling area members. In the colonial context the trade balance is particularly important, since the peculiarities of colonial monetary arrangements meant that foreign exchange earnings were automatically related to the local money supply, which was fully covered by reserves, and made up an important part of the sterling balances. Moreover, unlike those of independent sterling area members, part of the colonial balances was held in ways or for purposes that were specific to the colonies. It is important, therefore, to consider how the balances were held and how they were employed in the colonial case.⁵⁷

In quantitative terms, the overall colonial balances (excluding India) increased from about £400 million in 1945 to about £1400 million in the mid-1950s (Figure 3.7). While in 1945 the colonial balances made up less than a quarter of the total balances of the overseas sterling area, in the mid-1950s they made up about one half. Compared to the total level of the overseas

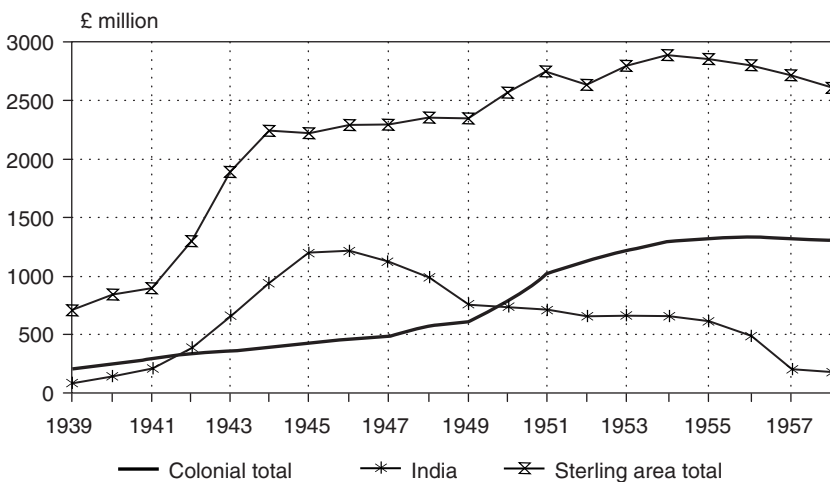


Figure 3.7 Accumulated sterling balances: sterling area, India and the colonies, 1939–58

Source: Bank of England, Monthly Reports on External Finance. Colonial excludes India and Rhodesia.

sterling area, colonial balances showed a parallel movement. However, they increased between 1947 and 1950, when Britain's overall overseas balances decreased. The increase in Australian sterling balances was even higher than that of the colonies between 1947 and 1950. However, these balances fell in the early 1950s,⁵⁸ whereas the colonial balances increased further. The opposite movement occurred with respect to the sterling balances of India, which decreased from their enormous wartime level, when they had made up about two-thirds of the balances of the overseas sterling area, to an insignificant level by the end of the 1950s. Marked variations among holders of balances existed within the colonial group (Figure 3.8 and Table 3.5). The colonial sterling balances were made up to a large extent by balances of Malaya, West Africa and East Africa, in their order of importance. Within West Africa, almost 60 per cent of the balances was attributable to Nigeria, and about 40 per cent to the Gold Coast.⁵⁹ By contrast, areas that played a much less significant role were the Rhodesias,⁶⁰ the West Indies and entrepôt centres (though Hong Kong was of some importance).

The rate of accumulation of the specified colonial group increased by about 100 per cent in the important period from December 1945 to June 1951. The increase in West African holdings was the most marked (more than 200 per cent), followed by Malaya (96 per cent). Between June 1950 and June 1951 the increase was about 60 per cent. The most marked increases occurred with respect to West Africa (83 per cent) and Malaya (104 per cent). Unlike the Australian balances, the colonial sterling balances continued to increase after 1951. Between June 1951 and the end of 1954,

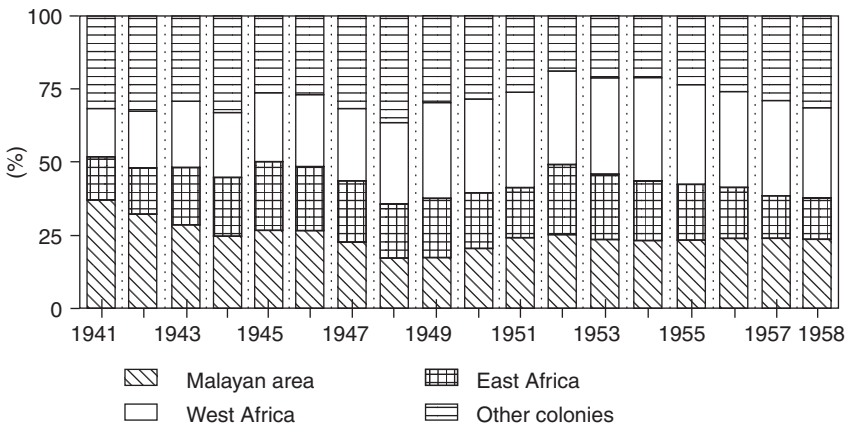


Figure 3.8 Accumulated sterling balances: selected colonial areas as percentages of total, 1941–58

Source: Monthly report on external finance. Colonial excludes India and Rhodesia.

Table 3.5 Accumulated colonial sterling balances by sub-groups, 1945–58 (end of year, £ million)

	Malayan Area (incl. Borneo)	West Africa	Gold Coast	Nigeria	East Africa	West Indies
1945	115	100	000	000	100	67
1946	125	115			100	69
1947	114	122			106	65
1948	103	146			107	66
1949	107	204	82	108	112	67
1950	164	253	107	129	146	78
1951	252	329	134	176	171	81
1952	283	362	143	200	209	91
1953	282	400	157	222	220	107
1954	305	488	188	276	217	124
1955	363	480	195	285	197	118
1956		482	180		192	133
1957		296	(excl. Ghana)		186	147
1958		469	181		176	151

Source: T 220/427; CAB 134/583-585; *Digest of colonial statistics*.

Table 3.6 Annual increase (+) or decrease (-) of colonial compared to overall sterling balances, 1946–54 (£ million)

	Malayan Area	West Africa	East Africa	West Indies	Total	Overseas Sterling Holdings
1945–46	+10	+15	0	+2	+27	+34
1946–47	-9	+7	+6	-4	0	+254
1947–48	-11	+24	+1	+1	+15	-337
1948–49	+4	+58	+5	+1	+68	+184
1949–50	+57	+49	+34	+11	+151	+233
1950–51	+88	+76	+25	+3	+192	+366
1951–52	+31	+33	+38	+10	+112	-330
1952–53	-1	+38	+11	+16	+64	+227
1953–54	+23	+88	-3	+17	+125	+94

Source: Monthly Report on External Finance and Cmnd.122.

a further increase by 48 per cent took place. Here, the West African increase was the most striking (58 per cent).⁶¹ Therefore, it was basically the balances of the dependent sterling area and of Australia⁶² that supported Britain's balance of payments in the period 1947–51, and subsequently the colonial balances alone, until the rise of Middle Eastern oil balances from the mid-1950s (Table 3.6).⁶³ By that time, however, this mattered less for Britain, since her external economic relations were becoming redefined.⁶⁴

In the entire period 1947–54, the increase in the sterling balances of the specified colonial group amounted to about 105 per cent of the accumulated increases of Britain's total overseas sterling balances. In the heavy deficit years of 1947 and 1951, colonial balances cushioned heavy withdrawals, that is, without colonial increases withdrawals of sterling balances would have been by about 4 per cent heavier in 1947–8, and 25 per cent heavier in 1951–2. Increases in colonial balances made up 37 per cent of all increases in the surplus year of 1948, 65 per cent in 1949, 30 per cent in 1950, 52 per cent in 1952, 28 per cent in 1953 and 133 per cent in 1954.⁶⁵ The regional distribution of the colonial sterling balances confirms the importance of commodity exports for the accumulation of colonial balances, since the major holders of the balances were at the same time the main colonial commodity exporters during the period in value terms. On the whole, invisibles and capital inflows played a negligible role. Especially in West Africa, the visible trade balance closely correlated with the accumulation of the sterling balances. However, the role the colonies fulfilled for Britain lay as much in their net contribution, notably via their dollar surpluses, as in what they refrained from doing, namely not to draw on accumulated balances, which were comparatively high already at the end of the Second World War.

All colonial exchange earnings accumulated as sterling balances via the colonial currency board mechanism, either in the currency funds, the marketing board funds or the government funds. The proportion between these funds was a matter of local producer price-fixing and taxation. The currency 'earned' via colonial export earnings was fully backed by reserves, which accumulated in the currency board funds. This meant, in fact, that the total currency in circulation could be presented for conversion at any one time without the system defaulting, and, in theory, also constituted a barrier against the withdrawal of balances. Balances in this fund could not simply be withdrawn, they could only accumulate less, unless provisions were made for special releases from these funds. Otherwise, a reduction would require an overall trade deficit by the colonial group concerned in order to lead to a reduction of colonial sterling balances as a whole. A reduction of sterling balances by the spending of other, quantitatively less important funds, was, however, possible. But any notable decrease in colonial balances could not occur, if the colonial currency board arrangements and policies towards marketing boards and government reserve funds remained unchanged.

However, long-term capital flows from Britain to the colonies had the potential to inflate colonial sterling balances. This is difficult to assess with accuracy, particularly with regard to individual territories, but was almost certainly a negligible factor. The widespread contemporary assumption that these flows were considerable is a myth. They did not go to any noteworthy extent to those colonies that accumulated a high level of the sterling balances; they were very low in comparison with the amount of balances

accumulated by commodity earnings.⁶⁶ (The situation might have been different in the case of Kenya.) Moreover, such inflows were usually earmarked for specific purposes and tended to be spent in the short term on imports. Accordingly, they did not inflate the balances permanently, since this investment did not remain within the colonial economies.

A cursory assessment of capital flows to the colonies is required for the present purpose because the matter affected policy debates on sterling area management, development finance and the sterling balances (Figures 3.9 and 3.10). The inflows to the colonies can be divided into British and foreign, and public and private. Flows of public capital from Britain to the colonies via grants and indirect investment via loans can be estimated relatively easily.

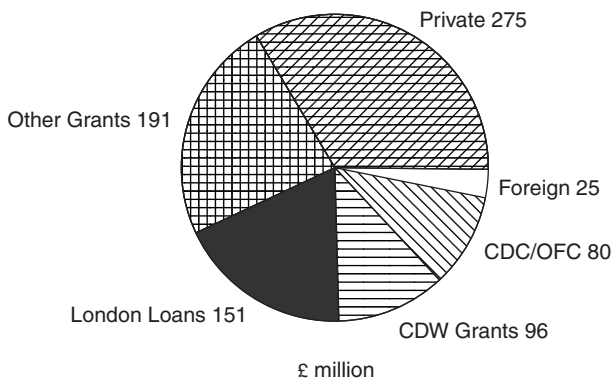


Figure 3.9 Composition of total capital inflows into the colonies, 1945-55
 Source: CAOG 9/33; Cmd.122; Conan (1956); Wicker; B/E ADM 14/47. (Figures exclude Rhodesia.)

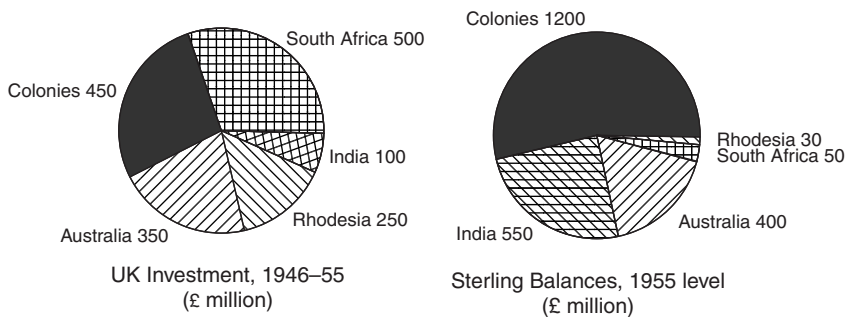


Figure 3.10 Regional distribution of UK investment in the Commonwealth and Empire (1946-55) and of accumulated sterling balances
 Source: Conan (1956) and various archival documents.

Loans for colonial governments from the London money market amounted to an annual average of about £18 million in the period 1948–58. Borrowing soared from £3 million in 1948 to about £30 million in 1952, and then fell to an annual average of about £10 million from the mid-1950s. A large part of these loans went to the Rhodesias and East Africa.⁶⁷ Grants from the British government to the colonies within the framework of the Colonial Development and Welfare (CD&W) Acts amounted to an allocated total of £173 million and an issued total of about £130 million between 1947–8 and 1956–7.⁶⁸ Other grants amounted to a total of £181 million for the period 1947–55.⁶⁹ In addition, there were investments by the Colonial Development Corporation (CDC), which had a ceiling of £100 million. The big unknown is the flow of direct private capital from Britain, which was arguably the most important share of long-term colonial inflows. However, estimates for overall capital flows to the colonies, Rhodesia, India, South Africa and Australia, as a whole, show an absolute flow of some £1650 million from Britain between 1946 and 1955. South Africa received about 30 per cent of this total, all colonies together about 27 per cent, Australia 21 per cent, Rhodesia 15 per cent and India 6 per cent.⁷⁰ This puts the flows to the colonies in perspective and shows a radically different distribution from the sterling balances, where the colonies made up 54 per cent and Rhodesia only 1 per cent of the group's total.

Capital flows to the colonies from outside the sterling area by governments or international organizations and indirect investment have been assessed by the Bank of England, and foreign private investment by the Colonial Office. The quantity of both was negligible compared to flows from Britain, but the pattern began to change towards the end of the 1950s. In 1958, Jamaica became the first British colony to raise a loan in New York instead of London. As for public and indirect foreign investment, this was insignificant by comparison, though it may well have been increasing after 1953.⁷¹ By contrast, there existed also notable capital outflows other than sterling balances from certain colonies, namely gold flows. Between 1948 and 1952, colonial gold exports to Britain contributed about £10 million annually to the colonial balance of payments. The single most important colonial gold exporter was the Gold Coast. It fulfilled, on a minor scale, the role South Africa and Australia played within the independent sterling area. Therefore, in the case of West Africa an overall trade surplus met with a high level of dollar surpluses, and capital exports to Britain, while the region experienced a very limited degree of capital imports.⁷² Over the period 1948–53, accumulated capital flows to West Africa (generously estimated) amounted to only about 14 per cent of its sterling balances, roughly one quarter of the area's accumulated dollar surplus, and just outweighed the value of its gold exports. West Africa's and Malaya's special position with regard to capital inflows is borne out within the colonial context. Inflows for each of the two colonies during the period

1945–55 can be estimated to have made up less than 10 per cent of a group containing the main colonies (except Hong Kong). The Rhodesias took up almost 40 per cent, East Africa about 30 per cent and the West Indies the remainder.

4. Britain and colonial performance

Two sets of more specific issues also need to be touched upon here, so that changes in the economic relationship between Britain and her empire can be properly assessed. The first is related to the current balance of colonial territories, and was particularly relevant between 1947 and 1953, when maximizing exports, minimizing imports and accumulating sterling balances and foreign exchange earnings were Britain's prime concerns. The second set of issues is related to the capital side and gained prominence after 1953, when the problems and feasibility of greater liberalization in trade and payments became important considerations for Britain in view of the medium-term aim of making sterling again a convertible currency. The two areas are linked via the sterling balances because of the special features of colonial monetary arrangements.

The development of world prices for commodities (Figure 3.11) influenced the level of export receipts. Moreover, import prices influenced the trade balance, which, in turn, had a bearing on the level of the colonial sterling balances. The precise effects of these relationships in supporting

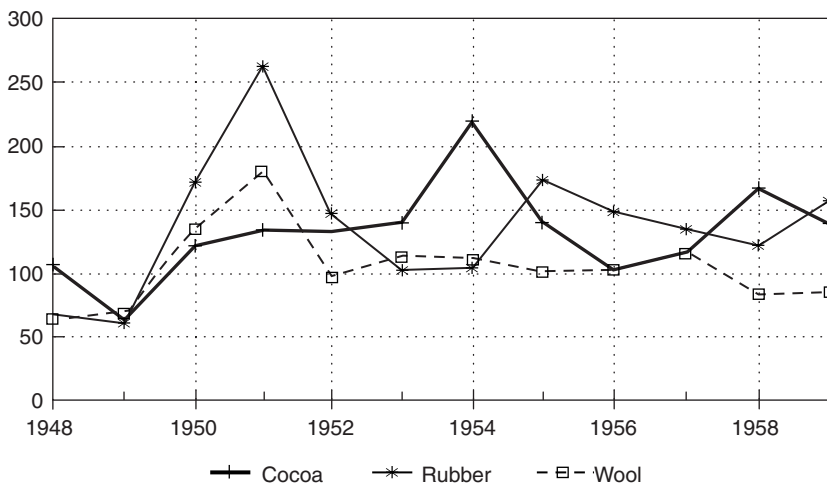


Figure 3.11 Indices of selected commodity prices, 1948–59 (base 1950 January–June = 100)

Source: *BOTJ*, 5 February 1955; 5 November 1955; 7 November 1958; 13 May 1960.

the accumulation of colonial sterling balances in real terms cannot be assessed here. Only some general remarks will be made on commodity prices, the role of restrictive colonial import policies, and export volumes with special regard to Malaya and the Gold Coast.⁷³

Among the vital colonial commodities were natural rubber, cocoa and tin. Cocoa and rubber were also the most important colonial dollar earners. However, while in absolute terms rubber was a bigger dollar earner than cocoa, in relative terms cocoa⁷⁴ was more important during the late 1940s and early 1950s; thereafter, both converged.⁷⁵ Put crudely, during the period the world price for cocoa increased from a very low level in 1946 to a high level in 1948, then decreased again, and then slowly increased beyond the 1948 level, before it boomed in 1954-5.⁷⁶ The pattern for rubber was different. Natural rubber prices were low at the end of the 1940s, soared at the beginning of the Korean War in 1950, but subsequently levelled out, though they remained higher than in the late 1940s.⁷⁷ Wool, which was important for the independent sterling area members Australia and New Zealand, followed a similar but less marked pattern.⁷⁸

The simple export/import ratio for Malaya shows important increases in 1950 and 1951 and to a lesser extent in 1955, compared to the late 1940s. This corresponds with the boom periods, which occurred in 1950 and particularly 1951 and, albeit less marked, in 1955-7. In the Gold Coast, however, the modest boom years of 1948 and 1950 show the highest ratios, whereas the main boom year of the period, 1954, shows a reduced ratio. The fact that import restrictions were more stringent in 1948 than in 1954 might be one contributory factor in this. But the question of the overall effects of restrictions or restraint in preventing more marked increases in imports during these booms is complicated. Obvious factors that would need to be assessed in individual colonies include the actual availability of sources of supply, the propensity to import, and development constraints, such as limitations on manpower, that might have checked expenditure on capital goods.

None the less, with regard to the dollar area, the evidence of import discrimination and reorientation is clear-cut, as has been shown earlier. An indication of the influence of restrictive measures on imports from the dollar area by the colonies can also be obtained from the assessment by British government departments of the efficacy of imposed dollar ceilings and from policy exercises on dollar liberalization. This material suggests that, without these restrictions, colonial dollar imports would have been considerably higher in value terms, and were not even half the expected levels in the late 1940s and early 1950s.⁷⁹

The counterpart to price is volume. If one examines the development of export volumes in conjunction with price one obtains a measure of the proportion by which volume and price were important for export earnings and for the sterling balances. Changing patterns and territorial variations

over the period can also be discerned. According to the Colonial Office's judgement, the volume of total colonial commodity exports increased by about 25 per cent between 1948 and 1953.⁸⁰ Changes in export volumes of the major commodities of the two territories (cocoa for the Gold Coast and natural rubber for Malaya) provide a rough indication of periods in which increases played a particular role. As for Gold Coast cocoa, compared to the base in 1947–9, volume was about 25 per cent higher in 1950 and 1951, when there was a moderate boom, and again in 1957, which was no boom year. Substantial increases, however, occurred only after 1960. Volume also played some minor role in the years 1953 and 1956, but was not important during the boom of 1948 and in the marked boom years 1954–5.⁸¹ As for Malayan rubber, the export volume was markedly higher (by about 20 per cent) only during the strong boom of 1950–1.⁸² This might indicate that rubber, unlike cocoa, required a demand pull to increase exports. On the whole, it seems that increases in export volume contributed at the most to export receipts by up to 20 per cent in exceptional cases; in most years and most cases the figure was much less.

The specific issues that need to be addressed on the capital side obtain their relevance from Britain's declared intent to move towards the greater liberalization in trade and from the government's priority in the 1950s to make sterling convertible. It is, therefore, important to know how colonial funds were managed, how the colonial sterling balances that accumulated in these funds were invested, and how trade liberalization affected the level and way in which they were held; in other words, whether and how far they were judged to be in 'excess' of expected requirements.⁸³

The colonial sterling balances accumulated in funds for specific purposes, which, on the one hand, affected their liquidity, and on the other, affected the likelihood of their withdrawal and the way 'excess' balances were assessed.⁸⁴ The distribution of funds of the specified colonial group (Figure 3.12) shows that in 1949 about one-third of the group's sterling balances was held in currency funds and another third in government funds (of which one-third were general reserve funds); the remainder accumulated by roughly one-third in marketing board funds and two-thirds in UK bank funds. By 1954, this picture had changed slightly. The share of currency funds was somewhat reduced, whereas the government funds now made up about 45 per cent. Most notably, general government reserves had increased, and now made up more than half of the government funds and about one quarter of all holdings.⁸⁵ In West Africa, commodity reserve funds reduced the share of currency fund holdings. In the Gold Coast more than one quarter of all holdings accumulated in marketing board funds in 1949, 41 per cent in the currency board funds and another quarter in government funds (12 per cent in general government reserves). In the course of the 1950s, the Gold Coast's government fund holdings grew considerably, whereas the share of the marketing board and currency funds decreased.⁸⁶ In Nigeria, marketing

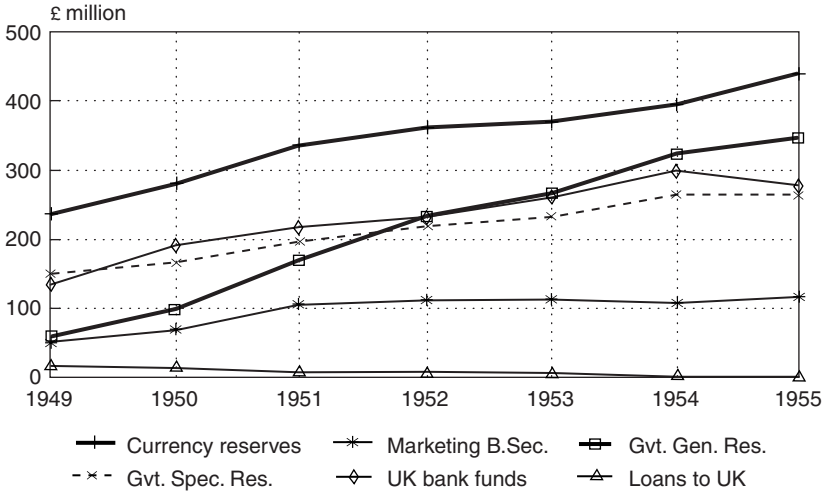


Figure 3.12 Colonial sterling balances by type of fund, 1949–55

Source: CO 852/1577.

board funds were higher and banking funds significantly higher.⁸⁷ In Malaya no marketing funds existed and the share of currency board funds was proportionately higher. In 1949, half the balances accumulated in the currency funds, 35 per cent in government funds (10 per cent in general government reserves). By the mid-1950s, however, over one-third of all holdings of Malaya, like the Gold Coast, were general government reserves.⁸⁸

The balances that accumulated in the various colonial funds were invested in London and most of them were managed by the Crown Agents. The Crown Agents followed an investment policy that was designed to provide the best possible yield, given the purpose of the respective fund, and to ensure the required levels of liquidity in view of anticipated withdrawals (cf. Figure 3.13).⁸⁹ Very crudely, almost three-quarters of the colonial funds were invested in British government securities, and another 15 per cent in securities of other colonies. As for the liquidity of colonial investments with the Crown Agents, about one-third of total investments matured within five years, and another quarter within 6–12 years.⁹⁰ In order to improve the yield, some restructuring towards short-term investments had been initiated during cheap money policies in the late 1940s. Moreover, inter-colonial investment by the Crown Agents was important because it supported the raising of colonial loans on the London money market to a considerable extent by channelling money from the colonial funds into new loan issues. Colonial funds thus invested made up about half of the total of newly raised colonial loans. Inter-colonial investment showed

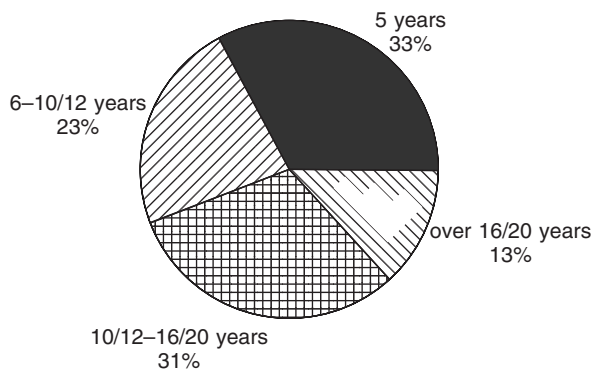


Figure 3.13 Crown agents' colonial investments and East and West African currency funds: maturities, 1953

Source: C.S.B.(53)2, T 233/933. Excludes Marketing Board funds.

regional differences: the share of Malayan holdings in colonial stock, for example, was much higher than that of other territories.⁹¹

The designated purposes of colonial funds prompted the calculation of 'excess' funds by British government departments (Figures 3.14 and 3.15), which aimed to assess both the funds that could be withdrawn, notably for development purposes, and the risk of withdrawals during a run on the balances. 'Excess' balances for the Treasury and Bank of England were basically government general reserve holdings (which, by statute, had to amount to a minimum of six months of a territory's annual income) and special government reserves earmarked for development. They excluded, however, the bulk of currency funds, marketing board funds, banking funds and government special reserves, namely those earmarked for sinking funds and pension funds.⁹² Following an assessment by the Bank of England in 1957, about 47 per cent of the Gold Coast/Ghana's balances, 53 per cent of Nigeria's balances, 35 per cent of East Africa's balances and about half of Malaya's balances were labelled 'excess' balances.⁹³ The limits within which withdrawals could be met within the framework of the existing arrangements becomes clear if one compares the liquidity of colonial investments with the percentage of estimated 'excess' balances. This posed a potential problem. If one simply assumes for the sake of argument that the overall liquidity distribution of 1953 *grosso modo* applied in 1957 and for individual territories, the following picture emerges: about 89 per cent of the investments of Malaya, Ghana and Nigeria would have fallen within the 12-year liquidity margin, but only 66 per cent within the five-year margin. This presented a basic problem in the mid- and late 1950s, even if individual investment portfolios showed certain differences in liquidity.⁹⁴

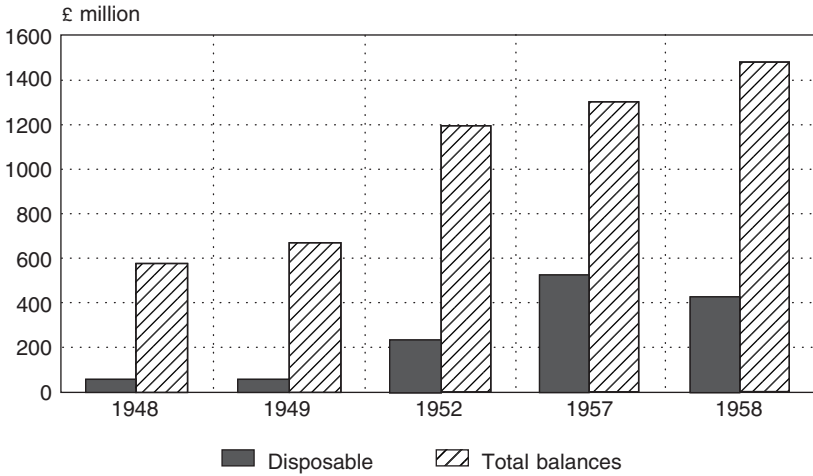


Figure 3.14 Official estimate of disposable/‘excess’ colonial balances (1948, 1949, 1952, 1957, 1958)

Source: OV44/83; T233/1245; T236/2685, 2698; OV44/83; ADM 14/50; OV44/65; CO1025/125. See note for definitions.

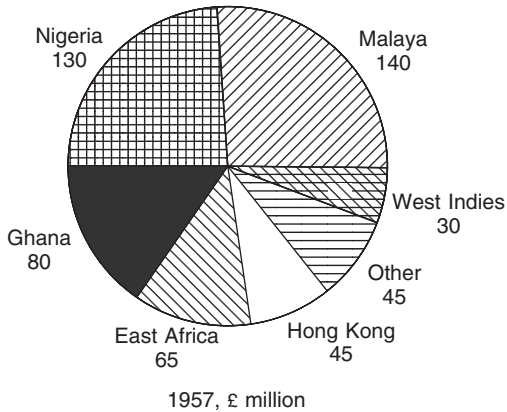


Figure 3.15 Official estimate of regional distribution of disposable/‘excess’ colonial balances (1957)

Source: B/E ADM 14/50.

Furthermore, it was politically significant that these three territories also held the bulk of colonial ‘excess’ balances.

A completely different risk assessment of the ‘excess’ level of balances originated from the Treasury in 1956, when officials compared the level of colonial balances in individual territories, and particularly the level of

government reserve holdings with each territory's annual national income, its annual import level and its annual level of government expenditure. The result showed that in the Gold Coast the level of balances corresponded to 100 per cent of the annual national income, to 230 per cent of annual imports, and to 200 per cent of annual government expenditure. Nigeria showed the respective percentages of 45, 230 and 200.⁹⁵

The counterpart to the assessment of 'excess' balances was colonial (dollar) liberalization, which provided a check on withdrawals. Colonial trade liberalization was not well advanced by the mid-1950s, but was seen as inevitable in the long run. A judgement on its costs from 1955 suggests that external and local constraining factors were minor temporary distortions of the overall picture of dollar expenditure. The Colonial Office estimated substantial increases under conditions of full dollar liberalization. A considerable amount of dollar imports (notably consumer goods, machinery, vehicles and chemicals) were forgone by the colonies, without having been compensated in return by UK supplies. In particular, West African dollar imports were expected to double under conditions of dollar liberalization. West Africa was estimated to make up about one quarter of total increases in dollar imports.⁹⁶

5. Conclusion

This analysis has placed key imperial financial relationships within the context of Britain's external economic relations. The important political implications of these issues for Britain's imperial link will be discussed as the story unfolds.

The sterling area played a major role in easing Britain's current account imbalances and dollar shortage during the sterling crises in the years 1947–52. At the same time, Britain's overseas sterling balances markedly increased. During the 1950s, Britain liberalized her external economic relations. In the late 1950s, the dollar problem vanished, sterling returned to convertibility and Britain's trade moved away from the sterling area towards the highly industrialized countries.

The colonies, especially West Africa and Malaya, were the pillars of the discriminatory sterling area. Colonial trade with the dollar area showed huge surpluses and a marked reduction in the value of imports from the late 1940s down to the mid-1950s. The redirection of import flows was not offset by alternative sources of supply, notably in West Africa. However, surpluses diminished and deficits occurred after 1955. The empire accumulated huge sterling balances via such 'unrequited' exports. For sterling area settlement, these balances offset a decline in India's holdings and also compensated for the volatility of the balances of the 'old' Commonwealth. Nigeria and the Gold Coast (in the late 1940s and during 1954–5), and Malaya (in 1950–1) were especially important. Commodity earnings sustained the

accumulation of the balances. Colonial sterling balances were only slowly reduced in the late 1950s, and well in 'excess' of required reserves – especially in West Africa and Malaya. They also constituted potential claims on Britain's resources. The distribution of the ensuing colonial investment in different funds changed during the period under review. Currency board funds remained important; but general government reserves increased considerably in relation to other funds compared to 1947. However, the liquidity structure of the colonial investment portfolio did not change substantially. The bulk of investment was relatively liquid; but in relation to government funds that ought to be easily realizable, the liquidity distribution became less favourable from the mid-1950s. British capital exports went largely to East and Central Africa rather than to the major colonial contributors to the sterling area's dollar pool. The London money market issued the bulk of loans in the early 1950s; but the level of loans was low in the late 1940s and declined to a negligible level from the mid-1950s, Kenya being the main recipient.

Imperial economic relationships had a significant political dimension. The feasibility of using import restraint to support the sterling area depended on political conditions and on the development needs of individual territories. The holding of a high level of sterling balances hinged on political control. After 1953, Britain's aim to liberalize and make sterling convertible was in conflict with the huge level of balances. Changed priorities in external economic relations after 1958 also diminished the empire's role for Britain. What mattered under these conditions was less the colonies' performance on current account than their restraint on the capital side. A controlled reduction of the sterling balances depended on the cooperation with, or the influence over, their holders. A high level of expandable balances, together with a relaxation of import restrictions, increased the risk of their withdrawal. The distribution of colonial investment in specific funds also had a political dimension because these funds were supposed to fulfil specific purposes. Pressure was, therefore, high for general government reserves to be used for economic development and infrastructure. Marketing board funds were linked to the producers in whose names they originally accumulated. If used for different purposes, political problems were rife. The level of currency board holdings and of the currency cover were politically delicate issues because they raised questions of economic and financial self-government. The shortage of loans from the London market heightened political pressures on the periphery, when desired withdrawals of balances were not available, and vice versa. This highlighted the fact that the implicit *quid pro quo* of the sterling area – the holding of sterling in exchange for capital from Britain – was not realized in important colonies. The liquidity of colonial investment also became a political issue in cases in which demands for the withdrawal of balances reached an amount surpassing the liquid portion of the portfolio.

Moreover, the Crown Agents' practice of supporting the market for colonial loans by inter-colonial investment depended on the availability of large colonial investment and conflicted with the reduction of balances.

This chapter has outlined Britain's key economic relationships with the empire. The conclusions have suggested, moreover, that these relationships had important political underpinnings and possible implications for changes in Britain's foreign relations. The remainder of the study illuminates the politics of imperial economic relations and its repercussions on Britain's link with the empire.

Part II

Convergence: Britain, Empire and Sterling Crises, 1947, 1949, 1951

4

Britain's Postwar Economic Reconstruction: Discrimination and Empire, 1947–53

Britain's requirements in external economic relations during the severe sterling exchange crises from 1947 to 1952 prompted her to seek a close association with the empire in discriminatory economic policies down to about 1953. Britain's emerging welfare state relied heavily on the empire to reduce imbalances during sterling crises. International economic conditions and diplomacy made the discriminatory management of the empire both feasible and worthwhile. Imperial policy during the discriminatory period can be understood as the (temporarily successful) attempt to promote the aspirations of the British polity in foreign economic relations. The considerable research on this period has so far largely bypassed the international relations perspective employed here, or emphasized more specific aspects of the problem.¹

1. The discriminatory welfare state

The British welfare state emerged in the aftermath of the Second World War and was designed in practical terms by the Labour governments between 1945 and 1951.² Welfare objectives required certain criteria to be met which importantly depended upon the performance of the domestic economy as well as on external economic relations. Therefore, welfarism had a potential knock-on effect on imperial relations and blended with the traditional characteristics of British external economic policies.³

Britain exhibited peculiar features during the period. Labour set out to enlarge the state's influence in the British polity. The period 1945–51 is exceptional in British peace-time history, being marked by a move away from a relatively weak liberal state towards a strengthened state.⁴ An important novelty was a large-scale, state-led investment programme covering reconstruction which attempted to incorporate industrial lobbies. Another was the nationalization programme for important sectors of the economy. The most durable was the implementation of welfare provisions devised during the war. Governments that followed had to live up to the

expectations of a more open British society; welfare policies lowered the level of austerity that voters were prepared to tolerate.⁵

The advocacy of a strong state went along with specific ways in which the domestic economy was run. 'Cheap money' policies were designed to keep down the costs of nationalization.⁶ High levels of domestic investment were to be achieved. However, unlike during the 1930s, the ensuing inflationary pressures had to be offset without compromising full employment. This posed particular problems during periods of balance of payments crises and the shortage of dollars to pay for imports.⁷ Still, the extension and enlargement of state controls and planning cannot be attributed solely to the increasing size of an interventionist socialist-inspired state.⁸ Many measures, notably import controls, were due to a continuation of wartime management, when the British economy was on the brink of collapse. Such methods were used by the subsequent Conservative government in pursuit of similar short-term aims. Importantly, these measures were more stringent in the colonies than in Britain. Other measures were due to the fact that the nature of the state changed as a result of Keynesian demand planning in the domestic economy.⁹ Professional economists acted increasingly as advisers to, or were themselves in, government.¹⁰

The difference between the British state under Labour and under the Conservatives rather lay in the long-term views and strategies regarding Britain's re-integration into the postwar international economy, that is, in a multilateral or a bilateral economic order. Meanwhile, Britain's key economic institutions represented the long-term continuities of the polity. Important parts of the Treasury and the Bank of England, as well as economic policy advisers, remained committed to non-interventionist liberalism at home and multilateralism in foreign economic relations and a return to sterling convertibility. The influence of these institutional interests had been marginalized during the war but re-emerged thereafter.¹¹

The setting of the state, its management and defined interests, had direct and indirect implications for Britain's relationships with the empire. The direct implications can be discerned in Britain's colonial economic policy. The indirect implications were felt in the way in which external economic relations were managed, in which the empire occupied an important place. British and colonial interests were seen as virtually indistinguishable. Imperial policy was part of the 'common cause' linking Britain and the imperial sterling area; colonial policy was subservient to the requirements of Britain's national economy. Britain's policy towards the empire supplemented her external economic policies in important ways during a period of huge colonial export earnings. While economic austerity in Britain increased political risks for the government, austerity remained feasible in the colonies.¹²

For some factions in the Labour government the empire was part of the discriminatory bilateral design of Britain's envisaged position within the

international economy – to a large measure in concealed opposition to the multilateralism advocated by the United States. However, for other Labour politicians and for powerful British institutions (and the Conservatives after 1951) the empire had to match the interests of liberal multilateralism in competition with the United States.¹³ In any case, British economic policy had to achieve reconstruction jointly with welfare objectives, and the empire needed to help Britain to get back on track in the long run towards a situation which allowed sterling convertibility. This course was marred with obstacles, arising from Britain's external economic position. The problems were particularly grave during the sterling convertibility crises of 1947, the crisis of 1949, when sterling was devalued, and in 1951–2, and were heightened by the constraints of the massive rearmament programme in 1950. Thus, strategies that would ease Britain's balance of payments and reserve problems were nothing less than a matter of economic survival.¹⁴ The empire proved to be even more important because of constraints that emerged in Britain's external economic relations elsewhere.

2. The economic diplomacy of discrimination

External economic diplomacy during the period affected Britain's imperial relations in important ways. The colonies were to a certain extent directly implicated in the matters addressed by Britain in the negotiations on the postwar international economic order and reconstruction. In addition, the outcome of these negotiations had a bearing on Britain's leverage in foreign economic relations, which in turn influenced policies towards the empire. The most important constraints resulted from Britain's relations with the United States; others concerned the independent sterling area.¹⁵

After the Second World War, the United States lobbied for the liberalization of the world economy. This issue was the basis of the well-known discussions at Bretton Woods, the foundation of the World Bank (IBRD) and the IMF, and also influenced the allocation of Marshall Aid for Europe. The United States was the single major power whose economy survived the war virtually unscathed. Britain's recovery programme, therefore, needed to draw upon the wealth of the United States. The Americans, in turn, pushed the Labour government towards economic multilateralism. Under the Conservative government after 1951 such lobbying became superfluous. By that time, however, the Americans were pushing rather less forcefully, due to domestic economic problems. The implementation of liberal multilateralism involved considerable debate on how to restructure economies, how to balance payments and how to finance reconstruction. British and American negotiators met on the following main occasions during the period: the Anglo-American loan negotiations in 1945, the convertibility crisis of 1947, the tripartite talks in Washington in 1949–50, and the 'collective approach' on freer trade and currencies in 1953. These discussions

covered the related issues of convertibility, the dollar shortage, and not least the sterling balances.¹⁶

Britain's overseas sterling balances, which had increased considerably during the war, had to be brought under control in order to make convertibility feasible. The Anglo-American loan agreement of 1945, which contained a convertibility clause, led to sterling area negotiations on the reduction of the sterling balances in the long run and on the control of releases in the short term. The level of *colonial* sterling balances (except those of India) was not of prime concern. However, steps were envisaged in 1946 on how to reduce them.¹⁷ At the same time, the loan agreement called for Britain's commitment to non-discrimination. This posed particular problems because it increased potential claims on British financial resources in addition to those that running down the sterling balances would bring. Furthermore, falling far short of expectations, the loans indirectly also increased Britain's quest for alternative supports for cushioning balance of payments imbalances. This search, in turn, prompted policy initiatives towards the colonies.

Acute crises soon complicated Britain's cautious attempts to create the conditions for multilateralism. In August 1947, Britain had to resort to the convertibility clause in the loan agreement and suspended convertibility. The crisis triggered a crucial move in colonial economic policy towards more stringent import controls, higher taxation and self-financing of development. In the end, the colonies became the single most important alternative by which the equilibrium between the sterling and dollar worlds might be re-established. The policy of discrimination, required for such management, actually contravened the loan agreement¹⁸ and was implemented only with the United States' concurrence.¹⁹ Moreover, Britain saw this policy as a possible alternative or supplement to the Marshall Plan.²⁰

After 1947, it became even more important for Britain to associate the United States with a massive material contribution in any attempt to introduce convertibility and trade liberalization. However, the United States was not willing to play this role to the required extent. Similar issues, therefore, were raised repeatedly in the agenda of Britain's external economic diplomacy towards North America. At the tripartite talks with the United States and Canada in 1949–50, the main British concerns (even more so than in 1946) were the sterling balances of the independent sterling area and how to bind the Americans to a possible funding operation. Convertibility was now out of focus, as it was seen to be neither feasible nor (by some) desirable in the short term. Again, the colonial sterling balances were largely ignored. The view put to Canada and the United States was that the colonial balances were needed for specific purposes as they stood.²¹ Moreover, both Britain and the United States deemed these balances not to constitute immediate claims on Britain's resources and to be under control not least for political reasons.²² Continued discrimination by the colonies had by

then become accepted as an intrinsic part of Britain's endeavour to re-establish an equilibrium between the sterling and dollar areas by dollar substitution and dollar earning.²³

The colonial option was also hastened by problems Britain encountered elsewhere in its external relations. After the convertibility crisis of 1947, certain countries were reluctant to build up their balances. This concern was relevant in the case of South America, since countries there had no monetary agreements that would provide for a settlement of surpluses in gold.²⁴ Other countries already held considerable balances that they desired to draw down, thus increasing the pressure on Britain's resources. Such action, therefore, had to be restricted by means of bilateral agreements. A case in point was Egypt. Different categories of sterling were established in order to keep claims on Britain provoked by these exchange propensities in check.²⁵ India was the country where controlling the balances was most urgently needed. The British attempted to bring the 'old' Commonwealth in line with their requirements and were temporarily successful, notably with respect to Australia. Moreover, ways were sought to check India's and Pakistan's dollar expenditures.²⁶ Eventually, the huge Indian sterling balances were brought under control through their gradual reduction in the Colombo development plan.²⁷ However, hopes of closer policy coordination with the independent Commonwealth gradually faded in the early 1950s. While the Commonwealth Economic Conference in 1951 agreed to coordinate policy towards convertibility,²⁸ it failed to provide a definitive agreement on trade policy.²⁹

3. The imperial policy of discrimination

Britain's economic policies towards the empire are explicable in terms of the broader framework of her external economic policies. Prompted by ideological inclination or lack of alternatives, Britain aimed at employing the sterling area, and especially its imperial part, as a discriminatory entity in order to boost Britain's economic recovery. In the late 1940s, a coordinated British policy was launched to manage the shortage of supplies through 'unrequited' exports and the building up of sterling balances. This strategy aimed at enabling Britain to sustain an export drive and a high level of domestic investment to boost production, while at the same time reducing claims on its resources.³⁰ Such a policy required dollar pooling within the sterling area. At the same time it was necessary to impose checks on sterling outflows from the area,³¹ as was the case regarding Belgium in particular.³² Britain's balance of payments policy in the long term aimed at a strong increase in exports, and a considerable diversion of imports.³³ Devaluation in 1949 aimed at supporting this diversion exercise.³⁴

A close link existed between the planning of Britain's economic development and sterling area and colonial economic development.³⁵

Administrative changes aimed at facilitating the coordination among government departments on the crucial balance of payments question. Interdepartmental committees covered the empire too. Important new bodies were set up, such as the Overseas Negotiations Committee, for negotiations with overseas countries on supplies, the Import Programmes Committee for controlling the level of expenditure on imports, and the Export Targets Committee. These were coordinated by the Central Economic Planning Staff and ultimately supervised by the Economic Steering Committee.³⁶

Parallel to the general policies on the management of 'unrequited' exports, were policies that concerned domestic and overseas investment in relation to supporting Britain's recovery. Policy often had to choose between boosting home production (and conquering export markets) on the one hand, and supporting sterling as an international trading currency and London as an international centre of finance on the other. While domestic investment was generally furthered during the period, attempts were made to channel British overseas investment towards areas that were short of sterling. Europe, South America and Canada were cases in point. Alternatively, investment was boosted in development projects that were likely to have a bearing on the performance of the sterling area within the international economy rather than on the export performance of British industries. Finance for sterling area development followed such priorities. However, demands on the London money market had to be restrained in territories that were of only limited value to the sterling area, and the promising regions ultimately ought to meet the cost of their own development.³⁷

Britain's economic policy towards the empire can best be surveyed within the context of the series of financial crises she experienced between 1947 and 1953. During this period, British policy used the imperial sterling area to rectify Britain's and the sterling area's external imbalances. Policies encompassed trade discrimination via import licensing, the management of 'unrequited' exports and colonial economic development to boost substitute supplies. The sterling crisis of 1947 marked the beginning of determined policy efforts in these areas. By the early 1950s, however, such policies, for a variety of reasons, were approaching their limits, whereas Britain's crises persisted.

Import controls had been executed in an ad hoc manner during the Second World War. Thereafter, modest and gradual measures of decontrol were envisaged, and some trade was liberalized in 1945 and 1946, following the move towards multilateralism conceded to the United States. The measures considered to reduce the sterling balances included cancellation (as suggested by the United States), interest-free loans to Britain, a reduction of the full currency cover in the colonies and even devaluation.³⁸ Yet 1947 marked the conscious move towards centralized control beyond anything experienced during the war when a major crisis loomed,³⁹ and measures

were considerably tightened after the convertibility crisis in August of that year. A complete suspension of import licences was imposed. The colonies were openly instructed (on Treasury initiative) to discriminate against all sources of supply, including Britain.⁴⁰ This radical overall discrimination was lifted only in mid-1948, when the colonies were allowed to resume imports from Britain and the Dominions.⁴¹ This happened after considerable wrangling over the issue between the Treasury and the Board of Trade, which had to deal with protests by British exporters.⁴² Measures of quite such crude rigidity were not openly advocated again during the recurrent crises thereafter. However, the mechanisms that were instituted followed similar principles throughout the period.

Colonial import policy followed a twofold approach: overall import control limited imports to 'essentials', and discriminatory trade arrangements were intended to maximize the pooling of 'hard' currency. In principle, import licences were issued irrespective of an individual territory's export performance. Goods other than those categorized as 'essentials' were to be obtained, if needed, from sterling sources. Only as a last resort could alternatives from the dollar area or from countries outside the sterling and dollar areas be obtained. It was, therefore, crucial to monitor import markets that would directly or indirectly cost gold or dollars.

Colonial import licensing was effectively defined by dollar ceilings programmed by British government departments and applied by colonial governments.⁴³ Temporary import stops from the dollar area ('dollar standstill') occurred repeatedly during the period. This happened in 1947 and in relation to the dollar drain before the devaluation of 1949, when dollar imports into the colonies were suspended from August to the end of the year.⁴⁴ Severe restraint, short of total suspension, was exercised during the dollar drain of 1951–2, too.⁴⁵ Suspension orders for imports from non-dollar non-sterling sources were issued at various times to meet contingencies of 'hard' currency leaks. In 1948, colonial imports from Belgium were suspended.⁴⁶ Likewise, in late 1951, a problem developed with Belgian surpluses within the European Payments Union (EPU), which again called for restraint with respect to imports from Belgium.⁴⁷ On the other hand, the colonies were urged to step up their imports from the EPU in the Spring of 1951, when Britain had a surplus with the EPU.⁴⁸ Similarly, in 1953, Britain encouraged Japanese imports into the colonies, when Japan had a heavy trade deficit with the sterling area and threatened retaliation.⁴⁹

Import planning by means of colonial dollar ceilings started in a crude way after the convertibility crisis, when the first big cuts were made in 1947–8. Measures were repeatedly refined⁵⁰ and also used under the Conservative governments until the mid-1950s. Sterling crises prompted a recurrence of reinvigorated austerity in the colonies. Ceilings aimed at keeping colonial dollar expenditures at the lowest possible level by making the colonies 'dollar-conscious'.⁵¹ The arguments about the 1951 dollar drain

and the continued dollar restrictions for the colonies were reminiscent of the late 1940s.⁵² In 1952, the Programmes Committee continued to appreciate the importance of the colonial role in pooling dollars, and ceiling arrangements were executed as in earlier years.⁵³

Dollar ceilings were supposed to be progressively lowered as more supplies from Britain became available.⁵⁴ But the increasingly tight ceilings were also difficult to maintain because a shortage of supplies heightened inflationary pressures.⁵⁵ Moreover, in late 1952, further cuts were hard to achieve, while the pressure for liberalization mounted to replace supplies that were still not satisfactorily provided from sterling sources. Therefore, the emphasis of policy shifted towards promoting the marketing of British goods for the colonies.⁵⁶

The policy of import restrictions posed a dilemma not only with respect to sources of supply, but also with regard to the kind of supplies that were required or expedient.⁵⁷ The import category of 'essentials' was largely defined by political expedience. Occasionally, consumer goods were admitted, as they were seen to be necessary incentives in certain territories at certain times. Supplies of capital goods posed an intricate problem because they were needed to meet the development objectives of colonial governments. Moreover, the fact that sterling sources were a general priority raised the problem of the availability of supplies for the colonies in relation to Britain's own export drive towards non-sterling markets.

Steel, tin-plate and machinery presented the main recurrent problems in planning dollar expenditure. At the beginning of the 1950s these difficulties were compounded by the fact that supplies from the United States were not available because of export restrictions in relation to rearmament. However, Britain's concerns with her dollar position in the early 1950s continued to be the main reason for limitations in steel imports. Allocations were cut even when they were available.⁵⁸ As for machinery, intensive marketing initiatives were taken to obtain more supplies from British sources.

Cotton textiles were the single most important colonial 'incentive' good. After the rigorous reduction of textile supplies in the late 1940s,⁵⁹ somewhat greater attention was given, for political reasons, to the supply of textiles to the colonies.⁶⁰ The sources of imports were first defined by their dollar component, and second by price differentials. American textiles were generally the cheapest, but had to be limited. Japan was traditionally a major supplier of colonial textiles, but her textiles were charged in dollars. However, by 1950 Japanese textiles had become available for sterling.⁶¹ This meant that Lancashire supplies, which had made inroads into colonial markets after the sterling devaluation of 1949, were left on the sidelines, since Japanese sources were cheaper. Moreover, payments relations with Japan for a brief period made an increase of textile imports from Japan a priority.⁶²

The counterpart to restricting colonial imports from 'hard' currency sources was directing colonial exports towards dollar markets. Such

measures were closely bound up with policies for developing colonial resources. The problem was to identify ways in which the highest dollar earning could be achieved. Commodities were selected in relation to assessments of requirements of the United States in particular. Even before the acute crisis of August 1947, the Colonial Primary Products Committee was informed about US minerals and vegetable and animal products requirements.⁶³ From 1948, export targets were monitored via the Colonial Development Committee in order to promote the so-called 'colonial export drive'. On the other hand, concerns existed about the saturation of markets.⁶⁴ Therefore, and because of the fear of a recession in the United States, exports that saved dollars were preferred over those that earned dollars. Such a strategy, it was hoped, would secure markets and guarantee prices that were competitive on the world market.⁶⁵

The commodities singled out as priorities included foodstuffs (except bananas), namely sugar, cocoa and rice; and raw materials, notably cotton, hardwood, tin and copper. Targets were set in order to boost exports of colonial commodities. Rubber was judged to be of great importance; but its future was uncertain because of the impact of the synthetic rubber industry in the United States. The success of rubber exports, therefore, depended on price. On the other hand, the Treasury feared an overproduction of tin by 1952.⁶⁶ Moreover, the Ministry of Food, concerned with the national diet, thought that larger supplies from the colonies would enable an increase in Britain's fats ration by the early 1950s and the maintenance of the sugar ration, while at the same time saving dollars. However, the extension of the capacity of dollar earning by expanding food production was seen to be limited, except with respect to the already substantial exports of cocoa.⁶⁷ Finally, albeit with limited success, initiatives were taken to make gold production more efficient, since gold was immediately convertible into dollars.⁶⁸

Policies towards the colonies became closely coordinated at the highest level of government and determined the kind of development that was promoted. Projects ranged from groundnuts in Tanganyika, to harbour expansion schemes in Kenya, cotton in East Africa and even eggs in the Gambia.⁶⁹ The Overseas Resources Development Act, which established the Colonial Development Corporation, was passed in February 1948.⁷⁰ Devaluation prompted renewed initiatives aimed at enhancing production, and also changed the importance of certain commodities for dollar saving. Cotton production, mainly of the American type, was stepped up.⁷¹

The production of established commodities markedly increased after the Second World War. However, most schemes that developed additional commodities failed, not least because competitive prices could not be achieved. In the early 1950s, the Conservative government rejected the ways these schemes were operated by the state. But the Conservatives maintained the role of colonial development as a contributor to Britain's

recovery. As Britain's crises persisted, efforts to enhance colonial production continued to be made. The Commonwealth Economic Conference of 1951, which was supposed to usher in the Conservative government's return to liberal policy principles, reaffirmed discriminatory colonial policies to support the sterling area. Colonial production by that time was about 75 per cent above the 1946 level, and about one-third above the pre-war level, and was expected to have potential for further expansion.⁷² The streamlining of schemes via privatization and a greater selectivity on projects for sterling area purposes was expected to bring success. The policy was no longer centralized and integrated with government priorities as had been the case under Labour, but rather became a supplementary strategy.⁷³ Moreover, there was now increasing concern, notably in the Colonial Office, that Britain's methods in developing the imperial sterling area would encourage colonial nationalism.

Colonial development in the long run heightened needs for capital goods and for finance to sustain it and thus detracted from import restraint and financial austerity. The main prerequisites of development, notably in Africa, were improved communications, which required steel and iron.⁷⁴ This was seen to be the major problem during the period,⁷⁵ whereas finance was not considered an important constraint in the late 1940s.⁷⁶ The policy on development finance emphasized that the colonies should meet their development requirements from their own funds, having recourse to finance from the Colonial Development Corporation (CDC) and Colonial Development and Welfare (CD&W) only as a supplement. Exceptions could possibly be made for the construction of railways.⁷⁷ Moreover, the Treasury had given no assurances for colonial borrowing from the London money market.⁷⁸ The Colonial Secretary informed the colonies that all efforts had to be directed towards remedying the balance of payments of the sterling area. Borrowing in London could be only the last resort.⁷⁹

At the beginning of the 1950s, Britain was continuing to finance the majority of colonial development needs from local sources.⁸⁰ However, financial requirements were increasing, and in 1952 the Colonial Office went back on its earlier assumption that finance was not the most important obstacle in promoting colonial development.⁸¹ British policy, therefore, became wary of controlling capital flows towards the colonies. Colonial development was welcome as long as it was largely self-financed, or as long as it was expected to make an important contribution to the running of the sterling area. But, by 1953, it had become clear that demands on the London money market would ultimately become considerably higher than had been anticipated. Such demands, and the problems of meeting them, prompted a great debate on development finance to be opened.

Entwined with trade and development policies was a separate policy, albeit less clear-cut and coherent, regarding the colonial sterling balances. At the end of the Second World War, British government departments had

envisaged a gradual and controlled reduction of colonial 'excess' sterling balances accumulated during the war. These balances might be released via the creation of a fiduciary issue of colonial currencies and contribute to colonial development finance, thus substituting some other development allocations from Britain. 'Free' balances were to be controlled by import licensing.⁸² But as early as the beginning of 1947, the Bank called for the improved control of the colonial sterling balances,⁸³ and the convertibility crisis brought a complete turnaround. It became explicit policy to build up the colonial sterling balances, and to prevent their withdrawal.⁸⁴ By 1953, however, the Bank of England and the Treasury (unlike the Colonial Office) had become wary of such a course.⁸⁵ Hitherto, policy exercises on the feasibility of convertibility had assumed that they could safely ignore the dependent sterling area. After 1953, this was no longer the case. Moreover, the policy of accumulating sterling balances became challenged as the share of self-financing by the colonies in their own development was decreasing.

When multilateralists in British government departments and the Bank regained the upper hand after the Conservative victory in 1951, lobbying for the convertibility of sterling emerged more forcefully. The abortive ROBOT plan was followed by the equally unsuccessful attempt to associate the United States with a convertibility operation via the so-called 'collective approach' in March 1953.⁸⁶ By this time, doubt was being cast on the colonial option, when colonial balances soared and their control, it was feared, might get out of hand. The Bank and Treasury recognized that the colonial balances constituted claims on British resources that had to be reckoned with.⁸⁷ Moreover, the Bank of England by that time also had begun to realize that, in the long run, convertibility would not be possible while maintaining a high degree of trade discrimination. Therefore, the consequences of the liberalization of imports had to be considered in the convertibility discussions.⁸⁸

4. The rationale of the co-option of empire

The underlying rationale of British policy can be detected in the problems of running Britain's economy during a period of grave balance of payments and reserve problems. The colonial portion of the sterling area was capable of easing the dollar shortage by its commodity exports to the dollar area. From the British perspective, the colonies were important contributors to solving the global liquidity problem via the management of 'unrequited' exports in the trade triangle of Britain, the imperial sterling area and the dollar area. They helped to re-establish the equilibrium in international trade at a time when, as the British plainly put it, they could 'not yet afford ... to repay [their] old debts'.⁸⁹

Keeping up colonial sterling balances was a means of preventing inflationary pressures, which were a key concern of Britain's domestic economic

policy due to the low level of production, the dollar shortage and 'cheap money' policies. Colonial balances, therefore, had to be kept out of circulation, whether by physical import controls, taxation, or both. Import restrictions aimed at enhancing or maintaining the colonial dollar earning capacity. But this strategy bore the risk that the British market would eventually be swamped with sterling for which it could provide no goods. Inflation was not a problem of Britain or of important individual colonies alone: it was a problem of the entity of Britain *and* the sterling area. Checking colonial sterling balances was required due to the state of Britain's domestic economy and also important for guaranteeing the viability of the empire for Britain during a period of expansion in colonial economies.

By contrast, in the case of a recession in the world economy, particularly in the United States, a different situation might arise. Under such conditions, spending overseas sterling balances on British exports might help the British economy and check unemployment in Britain.⁹⁰ This was the British policy design towards the colonies; elsewhere this option was not advisable, since most independent sterling holders were either short of sterling or their withdrawals might easily get out of control.⁹¹ Still, the pound sterling and its future were the dominant concerns of British policy rather than the management of Britain's industrial exports.⁹² This is borne out by policies regarding the sterling balances, as well as the general debate on the direction of British overseas capital flows,⁹³ and is also confirmed by such incidents as the brief discrimination against British exports in 1947 and the colonial trade management towards Europe and Japan.

None the less, by 1953 the planning of 'unrequited' exports had been abandoned. The reason was not so much that the Conservative government acted on liberal presumptions of external economic policy, but rather that such trade-cum-financial management of the colonies had reached its limits for a variety of reasons, which indeed had been foreseen at the policy's inception.⁹⁴ The Treasury's Economic Section had known all along that managing Britain's balance of payments and reserve crises by 'unrequited' exports was a method that would only work for a time and also carried risks. Imports could not be diverted indefinitely, and political pressure for drawing down the sterling balances would increase. On the other hand, in the early 1950s the dollar shortage was not yet solved, and rearmament became a heavy burden. On top of that, a global recession was bound to make a redirection of exports towards dollar markets more difficult. For these reasons, new policy directions on sterling were called for in 1952.⁹⁵ However, in 1948 politicians worried little about the long-term impracticability of their policies, when they were pressed to find ways that would steer Britain's economy through the next few years.

Britain's external economic crises were treated by a variety of doctrines, some of which had Keynesian undertones. Others were totally opposed to Keynes's own views as policy adviser before his death in 1946. Keynesian

management of Britain's domestic economy is credited to have taken over from planning as early as 1947, and in budgetary matters even earlier.⁹⁶ But external economic policy, with its emphasis on 'unrequited' exports, in 1947 took a course which Keynes had cautioned against as a policy in peace-time.⁹⁷ However, in the colonies Britain relied heavily on taxation in order to supplement import controls. Taxation increasingly inflated government reserves, which needed to be frozen in order not to prompt colonial inflation or reduce the sterling balances. This strategy, too, was bound to have its limits.

5. The institutional dimension

This overall rationale notwithstanding, imperial policy was by no means in every respect the result of planned, coherent and deliberate action. Policy was formulated by interdepartmental committees, which involved leading Cabinet ministers as well as high-ranking civil servants and officials from the Bank of England. The participants had different degrees of understanding of the general issues. Important technicalities were obvious only to a limited number of those involved. Theoretical exercises were rare and insufficiently influential even within circles of technocrats. What mattered during crises was that policy produced an immediate result. Therefore, many problems that policies provoked in the long run were not anticipated.

Under Labour, politicians such as Cripps, Dalton, Creech Jones and Bevin boasted enthusiastically about colonial development and the expansion of the production of colonial commodities.⁹⁸ This option would not only support the sterling area's balance of payments, but in the long term even boost Britain's performance in a protectionist world economy. Civil servants were usually more pragmatic and less concerned with grandiose schemes. However, they expressed the interests and orthodoxies of the administration for which they worked. The rather technical nature of imperial economic relations guaranteed them considerable influence in the shaping of policy that outlasted ideological changes in government.

Among the crucial government departments involved, the Colonial Office lacked a perspective on the issues that concerned Britain's macroeconomic management. None the less, the officials there advocated rural economic development in the colonies and defended 'sound', that is, restrictive, financial management and monetary policy. Importantly, the Colonial Office held that the colonies, in order to prosper, first needed to restore prosperity in Britain. The Colonial Office saw this 'common cause' and the 'contribution' the colonies could make to Britain's economic recovery with considerable pride, especially in the late 1940s. The colonies should 'help' Britain by stepping up their dollar earning⁹⁹ and contribute to improving the sterling area's balance of payments. The interests of the colonies and of Britain were seen to be identical.¹⁰⁰ Colonial production

could assist in 'the rehabilitation of a world ravaged by war, in the restoration of economic stability in the United Kingdom, and in the development of the Colonies themselves'.¹⁰¹ As late as 1952, the Colonial Secretary said he knew that the colonial contribution would be 'gladly sustained until [Britain's] goal [was] achieved'.¹⁰² Only in 1953 did references to the continuation of established austerity policies become slightly more defensive.¹⁰³

Policy-makers in the Colonial Office usually followed the Bank of England's advice. However, it seems that they did not always understand the arguments advanced by the Bank and the Treasury. For example, the Colonial Office refused to accept that the colonial sterling balances accumulated for anything other than required purposes, and, therefore, also rejected that they were ultimately claims on Britain. This position even led to the misrepresentation of facts in sterling area meetings. In 1953, a high-ranking official declared before the Commonwealth Liaison Committee that the accumulation of colonial sterling balances was due merely to increases in currency holdings and pension funds.¹⁰⁴

By contrast, the Treasury and particularly the Bank of England were representative of the broader design of external economic policy in which the empire had to play its role. Whether this was ultimately to lead to a multi-lateral or a bilateral world was not of prime importance during the crisis years of 1947–51. These institutions showed, of course, much greater insight into how the general policy was supposed to work at the macro level, about its purpose and its temporary nature. However, the Treasury and Bank ignored particular problems of colonial economic arrangements as long as they did not forcefully impose themselves upon policy-makers.

The Colonial Office's stance corresponded well to the exigencies of the day, as defined by the Treasury and the Bank of England. The colonies were busy meeting the vicissitudes of a metropolitan policy to protect sterling which Britain's balance of payments contingencies imposed on them. This sometimes led to curious episodes, when colonial import policies responded to British needs that had already changed to the opposite, as was the case with Europe and Japan in the early 1950s.¹⁰⁵ The colonies also played their part in Anglo-American diplomacy. In 1949, the British extended the complete suspension of colonial dollar imports and earlier deflated figures on colonial dollar earning transmitted to OEEC, in order not to compromise American allocations for the European Recovery Programme.¹⁰⁶

Significantly, all government departments were conscious of the success of the colonial contribution to the sterling area's balance of payments and appreciated that it constituted a valid alternative to the independent sterling area.¹⁰⁷ In 1951, the British were satisfied that the 1951 dollar ceiling was at one-third that of 1948. This was much lower than for the independent Commonwealth, which had agreed to keep within a 75 per cent margin of the 1948 expenditure, but only exceptionally did so. By the early

1950s, these countries had considerably liberalized their imports from the dollar area.¹⁰⁸

The management of 'unrequited' exports was readily adopted during the late 1940s by the Bank and the Treasury because of the dependent status of colonial territories and their unquestioned allegiance to the British cause. Policy-makers assumed that the colonial sterling balances were under control because of the restrictive import policy on the one hand, and the structure of colonial monetary arrangements on the other.¹⁰⁹ British policy assumed that colonies either could not draw on their balances because of the peculiarities of their monetary arrangements, or that they would not draw on them because they could be persuaded to exercise restraint. The colonies 'made a good contribution', and more formal measures of control could be introduced if required. Colonial governments were seen as being cooperative in building up sterling balances.¹¹⁰ And, as the Colonial Secretary put it, 'even from the psychological angle colonial sterling balances [were] less disturbing than the majority of other sterling balances'.¹¹¹

6. Conclusion

This chapter has provided evidence for the connection between Britain's external economic and imperial policies. From 1947 to 1953, Britain relied heavily on colonial balance of payments surpluses during sterling crises. British imperial policy was entwined with the traditional financial priorities of the British state, as well as with novel objectives of welfarism.

Colonial policies in the areas of the balance of payments, finance and inflation were attuned to Britain's needs and measured against Britain's economic performance. Colonial trade management and the control of 'hard' currency expenditure were means to improve the British and the sterling area's balance of payments and reserve position. The development drive in the colonies was designed to enhance the export performance of those areas that were able to contribute most within the sterling area framework. Anti-inflationary policies were designed at the intra-sterling area level in order to enable Britain's national economy to sustain a high level of domestic investment, while at the same time boosting colonial performance. The belief that the colonies' behaviour could be attuned to British needs was an integral part of the rationale of British policy.

Colonial development and import restriction was for some, such as the Labour Left, a means of re-establishing Britain's economic viability in a protectionist world. For others, such as influential elements in the Treasury and the Bank of England, the policy of dollar saving and earning was a temporary discriminatory respite. Discrimination ought to enable Britain to regain a trade equilibrium with the dollar area during postwar reconstruction, make possible the convertibility of sterling and, ultimately, guarantee her a prominent role in a multilateral world. Intentions of creating a

bilateral trading world vanished, when the Conservatives came to power in 1951. The dominant sections of the British polity were in favour of a cautious long-term move towards convertibility at an even earlier date.

In the early 1950s, periodic convertibility exercises became an important part of policy debates. However, these debates about economic liberalization hardly affected the colonies, where policies of discrimination were still feasible and operational. The colonies thus became a discriminatory relic in an increasingly liberal design of external economic policy. In 1953, however, the perception of British policy-makers of the empire as an unproblematic refuge of discriminatory policies was to change. Britain's established policy towards the colonies was seen to contradict her novel course in foreign economic policy.¹¹²

This chapter has focused on a discussion of British policy, its impulses and rationale. In order to obtain a more complete picture, the argument needs to consider the dependent status of the colonies and their specific place in the international economy. These factors constituted constraints and opportunities for Britain's discriminatory management, as we shall see.

Appendix

Note

The appendices to chapters 4 to 9 illustrate the bases on which the main policy decisions were taken by providing either summaries of data that resulted from large-scale policy exercises, or specific data from documents that were crucial for policy decisions. However, these tables give extracts only from a vast amount of statistical data that are included in official policy assessments and only from those that are easily quantifiable. This material, therefore, by no means represents an exhaustive account of available data; nor is it sufficient to explain policy.

The bulk of the available statistical material has been used in chapter 3 in explaining the basic economic interrelations between Britain and the empire. Unlike chapter 3, the appendices aim at indicating only the subjective basis of specific policies. Tables will not repeat data given in chapter 3, unless they add detail that is of interest from the policy perspective. Moreover, data that appear unnecessarily detailed to be relevant to the present study will not be cited. In these cases the commentary on the tables will include cross-references and note the availability of additional material.

The material given in the appendices has not been published before, except for the figures in Table A.4.1 (used by Schenk, *Britain and the Sterling Area*, and in aggregate form by numerous contemporary studies of the sterling area) and Table A.9.2 (contained in Morgant, *Official History*, vol. 3., p. 176).

Table A.4.1 gives an extract of monthly figures of the sterling balances of the sterling area in the late 1940s and early 1950s at key dates, namely the end of the war, the convertibility crisis (August 1947), the devaluation of sterling (September 1949), the beginning of the Korean War (July 1950) and the end of the Labour government (September 1951).

Table A.4.1 Sterling balances, monthly report on external finance, 1947-51 (quarterly extract) (£ million)

	1945 Dec	1947 Jun	1947 Sep	1947 Dec	1948 Mar	1948 Jun	1948 Sep	1948 Dec
Australia	134	131	118	129	168	191	225	274
New Zealand	86	77	69	56	64	70	68	51
South Africa	72	8	25	43	68	67	49	27
India } Pakistan }	1311	1225	1199	1189	1208	1198	1040	974
Ceylon	81	55	48	50	52	50	52	53
West Africa	100	118	116	122	156	157	149	146
East Africa	100	102	105	106	104	106	108	107
S. Rhodesia	32	23	27	26	24	28	31	53
Malaya	115	120	112	114	104	100	99	103
Hong Kong	36	73	73	75	72	69	73	79
Br. West Indies	67	66	65	65	64	68	65	66
Malta	48	47	46	44	44	43	43	42
Other colonies	65	66	64	62	64	63	66	68
Iraq	70	62	62	58	56	52	49	47
Burma	27	45	46	37	36	42	39	38
Irish Republic	193	190	187	187	181	174	175	182
Iceland	13	4	3	3	3	3	3	2
Total	2549	1526	2471	2464	2469	2481	2424	2421
	1949 Mar	1949 Jun	1949 Sep	1949 Dec	1950 Mar	1950 Jun	1950 Sep	1950 Dec
Australia	294	331	319	334	435	472	451	499
New Zealand	61	66	53	49	57	69	59	57
South Africa	7	-6	21	47	78	79	68	78
India	879	799	778	795	830	803	794	804
Pakistan	135	121	109	102	98	100	87	97
Ceylon	47	50	46	49	49	51	55	68
West Africa	165	160	167	161	168	169	183	253
East Africa	109	107	107	108	114	125	131	139
S. Rhodesia	53	53	57	53	50	52	55	53
Malaya	101	100	104	106	109	111	136	164
Hong Kong	92	78	64	68	67	81	92	94
Br. West Indies	67	67	65	67	72	75	77	78
Malta	43	44	47	47	46	47	46	47
Other colonies	63	68	69	71	69	67	71	77
Iraq	46	46	45	46	49	50	50	52
Burma	46	50	50	50	44	51	55	51
Irish Republic	185	191	195	211	202	200	205	211
Iceland	2	2	2	2	1	1	1	1
Total	2395	2327	2297	2366	2540	2605	2630	2823

Table A.4.1 *Continued*

	1951 Mar	1951 Jun	1951 Sep
Australia	592	626	531
New Zealand	83	104	93
South Africa	88	73	42
India	823	796	771
Pakistan	146	159	159
Ceylon	75	72	74
West Africa	278	309	333
East Africa	148	153	159
S. Rhodesia	51	55	52
Malaya	190	226	257
Hong Kong	101	112	121
Br. West Indies	79	79	79
Malta	47	47	46
Other colonies	80	90	94
Iraq	53	52	47
Burma	56	63	66
Irish Republic	202	184	178
Iceland	1	—	—
Total	3094	3202	3102

Sources: Bank of England, *Monthly Report on External Finance*.

The purpose of collecting these data was to keep track of the performance of a policy that aimed at accumulating sterling balances, notably within the colonial framework, and to provide a risk assessment of some independent countries. With regard to the colonies, the assessment remained at the level of general geographical aggregates. Moreover, the assessment gives only overall accumulated figures of balances and does not distinguish between different types of fund. Such distinctions were made on a sporadic rather than a systematic basis. In 1953, the Working Party on Colonial Sterling Balances systematically investigated overall aggregates of funds. The general movements of the balances have been recognized by near-contemporary research, which, however, had no access to monthly figures.

It is noteworthy that the bulk of the balances of India/Pakistan, Ceylon, Iraq and Burma (as well as of Egypt, which held substantial balances but was excluded from the sterling area in 1947) were blocked, subject to bilateral agreements. On the whole, balances of independent countries were volatile in their upward and downward movements, whereas the colonies were consistent in their upward trend. Australia shows a dramatic upward trend, but by October 1951 the level of its balances had already decreased by one-third compared to the peak in June 1951. Indian balances show a downward trend. New Zealand, South African, Rhodesian and Hong Kong balances were not substantial. South Africa was, however, crucial for the sterling area due to its gold sales. Malayan balances showed a sudden upward trend from late 1950. West African balances increased importantly during 1948-9 and

Table A.4.2 Colonial surplus with the United States, November 1948 to September 1951 (monthly figures) (\$ million)

	1948 Nov	1948 Dec	1949 Jan	1949 Feb	1949 Mar	1949 Apr	1949 May
Malaya	9	11	24	16	10	2	3
West Africa	—	13	9	11	18	6	3
Colonial total	2	18	22	23	19	—	7
	1949 Jun	1949 Jul	1949 Aug	1949 Sep+	1949 Oct	1949 Nov	1949 Dec
Malaya	23	—	—	96	8	11	14
West Africa	7	2	3	-11	1	1	4
Colonial total	21	10	-2	36	9	10	14
	1950 Jan	1950 Feb	1950 Mar	1950 Apr	1950 May	1950 Jun	1950 Jul
Malaya	16	7	12	13	14	18	17
West Africa	5	12	8	7	9	11	8
Colonial total	16	19	18	18	18	30	27
	1950 Aug	1950 Sep	1950 Oct	1950 Nov	1951 Dec	1951 Jan	1951 Feb
Malaya	25	27	42	n.a.	33	33	27
West Africa	6	3	1	n.a.	8	14	9
Colonial Total	33	28	53	n.a.	42	55	41
	1951 Mar	1951 Apr	1951 May	1951 Jun	1951 Jul	1951 Aug	1951 Sep
Malaya	52	35	14	15	36	18	4
West Africa	29	10	17	14	2	5	-1
Colonial total	85	47	32	32	39	26	—

Note: Sep. 1949, devaluation of sterling; Jul. 1950, Korean War.

+ first figure 1-17 Sep, second figure 19-30 Sep.

— signifies balance.

n.a. not available.

Sources: CAB 134/583 to 585.

then again in late 1950. Balances of the Irish Republic were high but stable and even showed a slight decrease between the end of 1945 and 1951.

Table A.4.2 shows monthly figures of colonial dollar surpluses with the United States, and those of the crucial colonial dollar earners, Malaya and West Africa.

By mid-1948, the policy of boosting colonial dollar earning and, even more importantly, dollar saving had become systematically organized in British government departments. The assessment of colonial dollar earning and saving, and the

establishment of dollar ceilings, constitute the bulk of the quantitative exercises undertaken by government departments concerned with economic matters during the period. The detailed collection of figures on these issues for different territories and commodities is vast and has not been fully explored by recent research.

The monthly figures in the table reflect seasonal changes. However, the figures show the importance of West Africa and Malaya in the colonial total and also the fact that they were (with one exception) consistently in surplus, at a time when independent sterling area countries incurred important deficits with the dollar area. For a survey and cursory assessment of these developments, see chapter 3. It is noteworthy, moreover, that West African surpluses occurred even during 1949–50, when cocoa did not benefit from boom prices. The high surpluses for Malaya in 1950–1 reflect the rubber boom during the Korean War.

For an introduction into the main trends and technicalities concerning the sterling balances, see chapter 3.

5

The Colonies, Economic Booms and Trade Discrimination: Britain's Recovery Supported, 1947–53

During the sterling crises between 1947 and 1952, the empire occupied a prominent position in Britain's external economic relations and fulfilled a pivotal role in the discriminatory management of the sterling area. The following analysis will cast light on the question of whether British policy phased in a promising new imperial deal or was doomed from the start. The international context, sanctioned by the United States, defined the feasibility of Britain's discriminatory management. The economic conditions in the colonies determined where commodity exports were viable. Moreover, during the 1930s and the war considerable social transformations had taken place that affected British policy in the sterling area, and the legacy of the colonial state and its economic institutions to some extent facilitated discriminatory management. After the war, socio-economic movements increasingly manifested themselves politically and challenged the colonial state. British policy was a balancing act between shielding key economic institutions and fostering austerity management to achieve export surpluses on the one hand, and securing alliances with local groups conducive to British aims on the other. Britain's management of the colonial sterling area had a distinct political rationale. The considerable literature dealing with Britain and the colonies during the period is generally not concerned with this dimension, though it touches upon numerous aspects of the problem.¹ However, innovative research links sterling relationships with British colonial development policy. This research and the present account are genuinely complementary to one another.²

1. The external environment and colonial discrimination

Specific features of the international economy and international economic organization facilitated the realization of British policy designs towards the periphery. The Bretton Woods Agreements of 1945 on postwar international organization advocated multilateralism as the principle of international economic relations. However, what existed in the early postwar

period was a multilateral trading system with a very limited degree of liberalization. The Bretton Woods agreements did not provide for an automatic correction of imbalances in international trade via credit settlements within the framework of a clearing union. Such proposals by Keynes (similar to the agreements of the European Payments Union of 1950) had been rejected by the United States.³ However, in view of liquidity shortages in large parts of the world, an alternative was required, so that Bretton Woods stood a chance of long-term realization. It was necessary during the period of the dollar shortage to allow countries that were in balance of payments difficulties to impose discriminatory measures in trade so that they could remedy their external imbalances. Accordingly, the agreements included important escape clauses for 'war-shattered' economies. The Anglo-American loan agreement of 1945 was more explicitly anti-discriminatory. However, its stipulations, too, were suspended, when Britain encountered a run on its reserves during the convertibility crisis of 1947.⁴

Most significantly, Britain was able to extend escape clauses of Bretton Woods to the union of Britain and the imperial sterling area (including Rhodesia) because these territories (together with Burma) held a common reserve allotment with the International Monetary Fund (IMF).⁵ This 'common quota' clause made trade discrimination against the dollar area by Britain feasible during the late 1940s and early 1950s. As a result, 'triangular' trade between the colonies, Britain and the dollar area could be conducted the way it was. Otherwise, overall discrimination (including discrimination against Britain by her own colonies for sterling area purposes) would have been possible and was practice; but it would not have been feasible for the colonies to discriminate vis-à-vis the United States in favour of Britain. Moreover, within the sterling area, it was of course feasible for the colonies to discriminate in favour of Britain and against the independent Commonwealth. However, such a course met with sharp criticism in the 'old' Commonwealth and Britain was careful not to fuel suspicion.⁶

The structure of the international economy in the late 1940s allowed Britain to make good use of these peculiar organizational arrangements in conducting her imperial relations. Commodity trade between the non-industrialized periphery and industrialized countries still made up the most important share in world trade. Moreover, there existed no international cartel arrangements that might have levelled out price booms for the crucial commodities of the period: cocoa, rubber, tin and wool;⁷ the marketing boards merely adjusted fluctuations on a territorial basis. There were also certain boom periods for important commodities that sustained Britain's discriminatory trade arrangements via the colonies, particularly for rubber, wool and, in certain periods, for cocoa.⁸ The dollar earning capacity of many colonies was considerable. The monitoring and prediction of commodity price developments was, therefore, crucial for British policy,⁹ and the regional focus of imperial management shifted to those

regions that produced the highest-priced commodities for which there was a market in the dollar area. Therefore, besides the gold producer South Africa, and for a while Australia, the most important countries within the sterling area during the period were the three colonies, Malaya, Nigeria and the Gold Coast. The former member Egypt was politically too volatile to be relied upon.

For key economic policy-makers the discriminatory management of the sterling area was a short-term deviation that should allow Britain to move towards multilateralism in international economic organization; meanwhile, Britain continued on a 1930s course of discrimination and sought adjustments of Bretton Woods to facilitate economic recovery.¹⁰ Provisions to opt out in international agreements and the consent of the United States allowed Britain to pursue her discriminatory operation in the colonies. It is ironic, however, that by providing this option, international economic accords in the long run created problems similar to those they had set out to remedy. One crucial aim of the schemes had been to enable Britain to tackle the problem of her overseas sterling balances.¹¹ But the route taken simply shifted the regional focus of this problem to the British empire. Here, for a time at least, the matter rested without causing undue concern to either the British or the Americans.

2. Economic and social conditions in the colonies

Economic conditions within the empire affected dollar earning and dollar saving and were, therefore, relevant to the management of the British economy during the period. Moreover, socio-economic conditions in individual colonies could either hamper or be conducive to Britain's needs.

Due to their potential for dollar earning, the Gold Coast and Nigeria were vital throughout the period, but especially during the cocoa price boom that coincided with the convertibility crisis of 1947. Malayan rubber became highly important as a dollar earner and dollar saver in the early period of the Korean War in 1950–1, though this was seen only as a transitory development.¹² Besides, there existed exploitable minerals in various colonies, notably tin in Malaya, and manganese in the Gold Coast, that were in demand during the same period. Rhodesian copper was also of importance.¹³ The boosting of dollar saving by increasing colonial substitute production depended on the development prospects of existing colonial commodities, or on how new commodities could be promoted which the sterling area lacked. Thus, Nigeria and East Africa were important for fats and vegetable oils. The range of products changed in priority as a result of changes in import prices after the devaluation of sterling. Cotton became more important after 1949; in the early 1950s, the rice production in Britain's South-East Asian colonies increased in response to world shortages; sugar, however, had limited potential.¹⁴

The socio-economic environment in the colonies influenced the discriminatory running of the sterling area; it affected the feasibility of economic austerity and development, and, more generally, impacted on the organization of economic relationships and on local politics. Put crudely, import restraint depended on the kind of development projects upon which a given territory had embarked, notably whether or not it required a large amount of capital goods. Moreover, to check capital flows from the London market to areas that were already rich in sterling due to their commodity earnings, external development finance had to be limited to imperative infrastructural schemes, notably to improve rail and road transport and harbour installations. The feasibility of austerity also hinged on the political pressures on the colonial state that ensued from the social stratification of colonial societies with regard to imports and priorities of development. On the whole, after the war, the urban population, which had swollen considerably during the 1930s and the war, opposed continued austerity in many colonies and was keen on economic expansion.

The political and social organization of commodity producers had a potential impact on the smooth control of production, and in a broader manner on the management of revenues. For example, the bargaining over commodity producer prices influenced the management of colonial inflation, and thus also sterling area inflation; in consequence, it had a degree of influence, too, on the feasibility of import restraint.¹⁵ Colonial dollar restrictions made public opinion and political activists in some colonies in the long run 'dollar-conscious' in the opposite sense to what the British aimed at and originally had achieved.¹⁶ Not least the colonial financial and monetary arrangements were open to challenges from populist claims for an independent monetary policy and for certain forms of central banking.¹⁷ Britain was particularly wary of demands from among indigenous commercial entrepreneurs, which had become a recognizable force in some colonies by the end of the 1940s, and of the involvement of such groups in commodity production or alliances of commodity producers with these groups.¹⁸

With respect to the above issues, there existed marked differences in those regions of the imperial sterling area that mattered for British policy in terms of their economic potential. In the Gold Coast, pressure on Britain ensued from the indigenous cocoa growers, prompted both by grievances about the expatriate cocoa trading firms and colonial economic policies.¹⁹ The cocoa farmers, notably in the Ashanti region, were the territory's elite in economic terms. Ashanti growers had developed commercialized cocoa farming since the beginning of the twentieth century, relying on a complex web of traditional labour and wage labour. In the late 1940s, Britain needed more than ever to maintain a high level of Gold Coast cocoa output for exports to the dollar area, and the cocoa producers occupied a potentially powerful place in the territory's political equilibrium. Therefore, the British were particularly

concerned about a possible production stop by the comparatively well-organized cocoa farmers, as they had done repeatedly in the well-known cocoa hold-ups of the 1930s.²⁰

Moreover, there existed in the Gold Coast local entrepreneurs involved in the cocoa trade and in liberal professions. Since the 1920s a group of indigenous cocoa brokers had evolved with close connections with cocoa farmers though no direct involvement in agriculture. These sections of the indigenous business community with a stake in the export trade were a concern for the British because they lobbied for the improvement of local credit facilities, which had become largely inadequate by the 1940s. Banking for the African population, notably in rural areas, was confined to the Post Office Savings Banks, and no indigenous banking institutions existed.²¹ Moreover, this group put pressure on import restrictions and on colonial monetary and marketing arrangements in general.

None the less, the economic importance of the cocoa growers and indigenous export traders was not necessarily matched by their political influence in the colonial state. In the late 1940s, informal alliances of small retail traders, Western-educated groups, clerks, teachers and other economically and socially marginalized sections of the population were about to emerge in the urban centres of the Gold Coast. Britain was increasingly confronted with grievances expressed by the urban population. For example, textile imports were greatly in demand in the urban areas. It is, therefore, hardly surprising that the urban protests that swept British Africa in 1947–8 coincided with the new austerity policies imposed from London in relation to the sterling convertibility crisis, which tightened restrictions on consumer goods. Although these protests were generated by a variety of local grievances, they were compounded by Britain's sterling area policy and, therefore, attracted wider support than had been the case earlier.²²

In Nigeria, pressures on Britain from commodity producers were conveniently more diffuse than in the Gold Coast because production was scattered across a large number of different commodities, and because there were considerable regional disparities in political organization.²³ Moreover, Nigeria experienced a banking boom in the late 1940s and early 1950s.²⁴

In Malaya, too, pressure from producers was less strong than in the Gold Coast. However, indigenous business interests also challenged British policy in relation to credit facilities and dollar earning. In the late 1940s and early 1950s, British sterling area policy had greater difficulty maintaining the desirable restraint on dollar imports than in West Africa, where such demands were still more limited due to the smaller size of the urban population.²⁵ Moreover, Malaya had been under occupation during part of the Second World War, and a considerable amount of imports of capital goods had to be permitted for reconstruction purposes. Malaya's close relations with Japan also meant that more consumer goods found their way on the Malayan market than was the case in British colonies elsewhere.²⁶

More importantly, however, Britain faced considerable social upheaval in Malaya which not only posed a potential threat to rubber output, but was a serious challenge to the administration of the territories. In the inter-war period, the economy of the territories hinged on the rubber estates, which were largely owned by private British firms. At the same time, a large number of Malays were diversifying into rubber smallholdings, by and large against the wishes of the traditional Malay rulers, who saw the role of the Malay in subsistence farming, notably of rice. The labourers on the estates were usually not Malay but Chinese, who had been recruited from the Chinese mainland since the beginning of the twentieth century. Thus, antagonisms grew between common Malays, the expatriate estates and the traditional Malay political hierarchy, and also between the Malay and Chinese migrants.²⁷ In the late 1940s, the situation was complicated for the British by socio-economic changes that had taken place during the 1930s depression and the Japanese wartime occupation. Almost half a million unemployed ethnic Chinese had settled as subsistence farmers on the fringes of the jungle, where they were effectively outside British administrative control and became suppliers of food and manpower for the Communist insurrection after the war.

East Africa did not fit well into the design of the discriminatory sterling area. In Tanganyika, export production was too small to make a real difference for the sterling area. In Kenya, a high level of consumer goods had to be admitted for the settler population.²⁸ Moreover, Kenya had a much bigger internal market than the other main commodity exporters of the imperial sterling area. With regard to credit facilities, the situation also differed from that in most other colonies since in Kenya some form of local money market already existed which served the white settler and Indian communities. Still, for infrastructural development Kenya's demands on the London money market were stronger than those of other colonies.²⁹

Put in a wider context, British policy in Kenya was hampered by strained relations with indigenous commercial entrepreneurs and with settler producers. The British were also deceived by their own misinterpretation of social changes in the territory. Kenya's economic elite in the making originated from Kikuyuland, where indigenous commercial wattle entrepreneurs emerged in the interwar period. This group found a profitable niche market and was able to reinvest because it relied on both wage labour and labour obtained by kinship ties, and because the group's members engaged in business activities while at the same time receiving an income from employment in the state or parastatal sector ('straddling', as it is called). In the late 1940s, these Kikuyu entrepreneurs diversified into dairy farming for the local market and tea growing for export, which made them a powerful economic group in the country and a direct competitor to both the white settler producers and state-led smallholder production, on which Britain based her new development initiatives at the time.³⁰

The socio-economic changes related to the emergence and development of this group also led to consequential social changes which ultimately led to serious civil confrontation in the colony, commonly known as the Mau revolt. In the 1940s and early 1950s, a sharp antagonism developed between the entrepreneurs and both small agriculturalists in Kikuyuland and returning Kikuyu from the White Highlands. In the interwar period, the white settlers had welcomed these Kikuyu cattle herders as a cheap residential labour force. However, in the 1940s the cattle herders came into conflict with the interests of the settlers who had moved into dairy farming and were concerned about competition from the labourers and also about diseases among their lower-grade cattle. The settlers then switched to migrant labour that did not engage in cattle herding, and evicted the residential labourers. As a result, land became increasingly scarce in Kikuyuland, when the evicted Kikuyu returned home. The Kikuyu entrepreneurs now legalized traditional property rights in their favour, which ultimately was a key factor in provoking a momentous social conflict.

These socio-economic transformations were indirectly related to British colonialism and influenced British policy towards Kenya. However, the ensuing social conflict was no simple direct reaction against British colonial rule and policy. None the less, the socio-economic constellation hampered the specific British development drive in Kenya, and was one more reason why the country, unlike Malaya or the Gold Coast, ultimately had little relevance to Britain's management of the imperial sterling area.

3. The colonial state and the discriminatory sterling area

The nature of the colonial state and its institutions influenced the management of the imperial sterling area. The colonial state mediated between the various local environments in the colonies and Britain's overall requirements in imperial economic policy. Up to a point, Britain was able to shape colonial states, and colonial governments were running and controlling economic institutions with close consideration to the requirements of the British economy. However, colonial states were also subject to constraints from the diverse local socio-economic contexts which found their political expression by focusing on a given state framework. While the constitutional changes in colonial states that widened local political participation occurred in a largely separate realm, these reforms to some extent served as social control, thereby making Britain's management of the imperial sterling area feasible.³¹

During the sterling crises between 1947 and 1952 the colonial state was strengthened as a control mechanism. Control over the currency boards and the marketing boards, where they existed, and over development schemes was crucial for Britain. The key institutions and arrangements that governed imperial economic relations had grown out of the legacy of

Britain's priorities, and any changes affecting their control depended upon British consent.³² Colonial financial and monetary arrangements were originally designed to serve expatriate exporters at the beginning of the twentieth century by standardizing and facilitating exchange with Britain.³³

The colonial currency boards were operated by statute as an automatic mechanism.³⁴ In the late 1940s and early 1950s, they were particularly important for the management of 'unrequited' exports because changes in the full currency cover would have heightened claims on Britain's financial resources. As long as the colonial monetary institutions functioned according to the required principles, it was of no consequence where they operated. The West African and East African currency boards (WACB/EACB) operated in London, whereas the Malayan currency board had its seat in the colony. Nor would it matter if a local currency and central bank were established in any particular territory, unless the bank was empowered to change the currency board mechanisms, that is, manage the colonial currency and pursue an independent monetary policy.

In 1947, Britain established state-led commodity marketing boards in West Africa. In the 1930s, the colonial government had intervened to shield producers from the export firms to calm political unrest there. Such state control in marketing had been continuing during the war. In contrast to the colonial currency boards, the marketing boards in West Africa³⁵ involved a bargaining process between representatives of the colonial state and producers. This bargaining was relevant to Britain's management of the imperial sterling area in two ways: in so far as it affected the level of reserve funds designed to smooth out commodity fluctuations and guaranteed the long-term viability of commodity exports; and in so far as decisions taken by the boards decreased the sterling balances and increased inflationary pressures, which then had to be counterbalanced by other means. Unofficial majorities could negatively affect these concerns, and, moreover, challenge the way in which surpluses could be employed. However, in reality such influence was limited, since the Colonial Office could check unwelcome opposition by appropriate appointments to the boards.

The colonial state also played a role in the execution of import controls. For example, in 1949 a procedure was established to improve allocations of restricted commodities via supply departments in the colonies and the Supply Department of the Colonial Office. Distribution was then controlled by colonial governments. So, adjustments were made to make policies and established mechanisms operate more smoothly.³⁶

Politically, colonial states operated under a broad spectrum of constitutional arrangements, reflecting the different social and economic conditions in individual colonies. Changes in political institutions followed the evolutionary conception of British colonialism on the 'graduation' of colonies as they 'matured'. Institutional reform, moreover, reflected the central strand of British colonial thinking which aimed at minimizing

conflict by non-interference. However, the state was expected to interfere when fundamental British aspirations were at stake. Since the 1930s, socio-economic changes required constitutional adjustments in order to guarantee smooth government. From the late 1940s, such adjustments were made with the gradual establishment of representative Parliamentary structures and territorial legislative assemblies, namely in the Gold Coast in 1951.³⁷

None the less, such changes did not extend to the key financial and monetary fields. In 1948, Britain made adjustments in local financial management in order to increase the efficiency of the colonial state by involving local commissioners in the selection and control of welfare schemes, and by improving consultation arrangements with the Colonial Office. However, this was an attempt to attune local financial management to the social and economic transformation that had taken place in certain colonies rather than a shift in the fundamentals of British policy towards economic self-government.³⁸ Similarly, proposals for the transfer of the currency boards from London to East and West Africa from 1953 derived from political and educational considerations and changed nothing in the boards' operation.³⁹ At that time, access to credit (in the London market) was still dealt with, by statute, at the level of the colonial state, while no regional government provisions applied, as they did for Britain. London explicitly retained its statutory and quasi-statutory powers with respect to external economic relations, monetary and fiscal matters, the control of inflation and London market loans. The status of colonial governors and local officials was defined by statutes which left these crucial powers, in legal parlance, to 'H.[is/Her] M.[ajesty]'s pleasure', and the legislative councils, even under an unofficial majority, had no formal influence in these matters.

Meanwhile, various social groups manifested themselves politically vis-à-vis the colonial state, which had implications for British policy in the imperial sterling area. In the Gold Coast, new political parties were organized in the urban centres, rather than Ashantiland, drawing support from sections of the population that had hitherto lacked a power base. From these alliances emerged, among others, the Convention People's Party (CPP) under the leadership of Kwame Nkrumah in 1949. This party became the country's principal nationalist movement. Ultimately, the CPP marginalized the Ashanti economic elite which had worried Britain in the 1930s. However, in the late 1940s the party was still able to rally many cocoa farmers by taking up their grievances related to the effects of a disease that was destroying cocoa plants at the time. Urban entrepreneurs and liberal professions eventually regrouped in the United Gold Coast Convention (UGCC).⁴⁰ In Nigeria, the federal structure of the colonial state meant that movements with a strong national rather than regional orientation were slow to emerge.

In the Malayan territories, the colonial state traditionally had relied on cooperation with the Malay aristocracy and in the economic realm supported the British rubber estates rather than rubber smallholdings. In the aftermath

of the war, the colonial government was faced with problems of reconstruction, the requirements of export management in the sterling area during the rubber export boom and with the Communist insurgency. The colonial state became more centralized and for the first time needed to integrate a broader basis of the heterogeneous populations in one state, namely a cross-section of the Malay as well as the Chinese and Tamil communities, with largely different economic backgrounds. With the United Malays National Organization (UMNO), a broadly based political party representing the ethnic Malay finally emerged in 1946. Meanwhile, British firms lost much of their influence in the colonial state, while the Labour government tried to foster new alliances.⁴¹

In Kenya, the white settlers had gained a key position in the political bodies of the colonial state during the war, and also considerable leverage over the marketing of their products. The socio-economic tensions in Kenya, particularly in Kikuyuland, had a political dimension too. The Kikuyu entrepreneurial elite, organized in the Kenya African Union (KAU) with Jomo Kenyatta as an important leader, challenged both the settler-dominated organs of the state, namely the Legislative and Executive Councils, and the authority of the traditional chiefs in Kikuyuland that were allied to the colonial administration.⁴²

Within these diverse local political settings, Britain formulated colonial policy.

4. The shaping of colonial policy

British policy was mainly concerned with import control, the boosting of exports, and the control of financial and currency arrangements.⁴³ Measures in these fields were modified in connection with Britain's crises in external economic relations.

In West Africa and Malaya Britain tightly controlled imports. In the Gold Coast, she imposed rigid import restrictions in 1947 and overruled assessments made by the colonial government on textile requirements. In 1948, the Dollar Drain Committee curtailed the earlier Gold Coast proposals for textile imports, which it judged to be excessive. However, this was a grave miscalculation, which contributed to the notorious Accra riots.⁴⁴ More textiles were eventually provided from non-dollar markets. In the early 1950s, the British sought sterling substitutes to accommodate import restraints from the dollar area and to market British goods more forcefully.⁴⁵ However, even during the crisis period, British policy succeeded in radically checking dollar imports. In Malaya, the territory's reconstruction needs notwithstanding, the British wished to restrict imports according to the same principles as in other colonial territories.⁴⁶ However, the country's dollar expenditure was erratic and even increased following the measures introduced in the aftermath of the convertibility crisis in 1947. Officials

attributed the problem to flaws in planning rather than control,⁴⁷ and sought measures to check this development. From mid-1948 until the end of the year a total ban on textile imports from the United States (textiles and vehicles made up about half of Malaya's dollar imports) was executed.⁴⁸ Dollar imports of consumer goods were prohibited, disregarding price differentials, and dollar imports of raw materials and spare parts were permitted only in cases where they were 15–20 per cent cheaper than available products from sterling or 'soft' currency sources.⁴⁹ By early 1950, the level of Malayan dollar expenditure had been considerably reduced, not least because by that time Japanese and German textiles had become available for sterling.⁵⁰ However, Malaya continued to have problems of remaining exactly within the established dollar ceilings.⁵¹ None the less, in the early 1950s British restrictions on steel exports posed problems in expanding Malayan rubber and tin production.⁵² In 1953, the Malayan government increased pressure on London for easing dollar restrictions. Supplies from the dollar area were needed because the persistent shortage in provisions from Britain compromised Malayan economic development.⁵³

East Africa and the West Indies were treated very differently by the British. There is little evidence that much pressure was brought on Kenya to cut down its dollar imports radically. Imports of consumer goods from the dollar area were allowed to a larger extent than elsewhere, although attempts were made to save dollars by importing textiles from Japan. Yet despite these rather lax import policies, the East African High Commission expressed concern in 1952 about Britain's colonial import programmes because they denied 'incentive' goods to stimulate production.⁵⁴ In the West Indies, the British took exception to tight import restrictions because North American (United States, Canada, Newfoundland) trade was particularly important for the region.⁵⁵ None the less, anxieties over Caribbean dollar spending did exist,⁵⁶ and the reduction target for 1948, for example, was one-third of the previous annual level.⁵⁷ But on the whole, even after the convertibility crisis of 1947, policy sought a balance. The British aimed at reducing West Indian dollar expenditure without offending the Americans, while at the same time increasing production and receipts from the tourist industry which hindered control.⁵⁸

On the export side, commodity output was hampered by low world prices for rubber and tin in 1947. Moreover, the British were aware of problems relating to colonial commodities over which they had little influence. Tin, of which Malaya together with Nigeria produced about 43 per cent of the world's production, faced saturated markets by 1953.⁵⁹ Malaya, which produced about 40 per cent of the world's natural rubber, was experiencing growing competition with synthetic rubber produced in the United States. Temporarily, however, the British were able to take advantage of the enormous rubber boom of 1950–1 at the beginning of the Korean War, and thereafter rubber prices continued above the level of 1947.

Between 1946 and 1948–9, when rubber prices and production were low, British policy promoted West African cocoa as the best available alternative for improving the sterling area's balance of payments. Cocoa began to occupy the role which Malayan rubber had held before the war in the empire's commodity earnings.⁶⁰ Importantly, export prices for cocoa experienced a boom between 1946 and 1948.⁶¹ However, in 1948–9 cocoa output was retarded by a disease that affected cocoa trees in the Gold Coast,⁶² and no significant increases in output could be expected over a long period. Therefore, the British attempted to reduce the risk of crop failure while taking advantage of price booms. Moreover, officials now heavily relied on the state marketing of the cocoa crop via the marketing boards. In the early 1950s, British policy was also influenced by expert advice that expected the cocoa world price to fall.⁶³ None the less, on the whole, cocoa exports to the dollar area were highly profitable, particularly in the late 1940s. The accumulation in revenues was such that these effectively frozen funds, in turn, posed growing problems within the marketing boards and the political alliances related to them.⁶⁴

In East Africa, the British boosted sisal as the postwar alternative to Malayan rubber as a dollar earner.⁶⁵ East Africa was also the key area where Britain in the late 1940s promoted new commodity production for dollar saving rather than increasing the efficiency of well-established old crops. The groundnut schemes were the most notable in this connection. After 1949, the production of raw cotton was stepped up in all East African colonies and new contracts with the Raw Cotton Commission concluded. This policy continued during the early 1950s.⁶⁶ Similar steps were taken in Nigeria.⁶⁷ However, by 1951 the British had become increasingly anxious that the introduction of new development schemes simultaneously added to demands for imports, not only of capital goods, but also of consumer goods.⁶⁸ The phasing in of new development schemes was scaled down after the failure of the Tanganyika groundnut scheme, the Gambia egg scheme, and others. Instead, British policy refocused on the production of existing crops that still had potential for sterling area purposes. Outside the key geographical areas of imperial economic policy, in Rhodesia and Uganda copper continued to be a valuable export commodity in the early 1950s.⁶⁹ Moreover, some attempts were made to increase rice production in the South-East Asian colonies.⁷⁰ By contrast, the colonial involvement in the Commonwealth Sugar Agreement meant that West Indian sugar exports were hampered, since the colonies had been expected to reach the original quota by the early mid-1950s.⁷¹

British policy on the sterling balances of individual colonies corresponded to the management of 'unrequited' exports that followed from restrictive import policies and export promotion. In the late 1940s, the Bank of England tacitly assumed that areas like West Africa and Malaya were convenient holders of sterling balances. Their balances would be less

volatile, not least because colonial policy and institutional changes could more easily be subjected to British control than elsewhere.⁷² The problem area was the Middle East and Indian Ocean region, namely India and Ceylon. In India, dollar restraint and import restrictions were difficult to maintain in view of the sizeable urban population. Similarly, in the late 1940s Ceylon was determined to pursue an independent course with regard to its dollar revenues, and sought a closer association with the United States. In the Middle East, oil balances were difficult to control and anyway discriminatory management was opposed by the United States. Moreover, sterling area members, such as Hong Kong, India and Pakistan, Rhodesia or even Australia, were not necessarily considered to be indispensable parts of the discriminatory sterling area, since they operated with insufficient dollar restraint.⁷³ In West Africa, by contrast, the British were confident that they could model the local situation in a way that did not disturb sterling area relationships.⁷⁴

Both Britain's general attitude towards socio-economic groups in individual colonies and British policy in dealing with local demands that affected the financial and monetary realm, were, to a degree, extensions of British concerns about the smooth functioning of the imperial sterling area. Moreover, the success or failure of emerging nationalist parties was partly affected by British policy and its priorities.

Faced with forcefully emerging political organizations in the Gold Coast at the beginning of the 1950s, British policy gave cautious support to the urban-based nationalist movement as an alternative to political groupings related to the Ashanti cocoa growers and indigenous export traders. In Malaya, British policy under Labour slackened its previously firm and costly support for the British rubber firms. Policy became more favourably inclined towards the Malay smallholdings, which in the 1940s became more profitable than the expatriate estates. However, British policy also attempted to divert smallholder production towards alternative products, such as palm oil, and away from rubber, which was seen to have little long-term prospects on the world market. In the late 1940s and early 1950s, Britain carried out a huge resettlement scheme, moving Chinese subsistence farmers from the fringes of the jungle, combined with an urbanization programme. The aim was to quell the Communist insurrection by removing its support base, and to bring the farmers under British administrative control while withdrawing them from an area where they were subject to coercion by the guerrillas to provide food, shelter and soldiers. In Kenya, British policy saw a need to reduce settler influence for political reasons while at the same time instigating African economic development that suited sterling area priorities. The numerous state-led production schemes sponsored by the Colonial Development Corporation (CDC) from 1948 are evidence of this.⁷⁵ The aim was to develop a strong African smallholder production as an alternative to both settler production and the straddling

African entrepreneur. At the same time, Britain proceeded to squash the Mau Mau revolt by attempting to seek out the rebels' political power base during the emergency from 1952, and especially by advancing against the fighters militarily in 1954.

From the perspective of her priorities in the imperial sterling area, Britain faced the most disturbing challenges in the Gold Coast in the late 1940s.⁷⁶ The British were wary of demands coming from the indigenous business sector with an interest in export trade. These were well represented by J.B. Danquah, the leader of the UGCC, and his allies in the Ashanti Farmers Union.⁷⁷ In the late 1940s, Danquah lobbied for improved credit facilities for Africans and for the establishment of an agricultural bank and of a 'state bank', albeit ill-defined, to boost development. He was also in the forefront of criticism launched against the cocoa marketing board's retention of the territory's dollar revenues without adequate compensation by way of development loans.

Officials attempted to steer these demands into acceptable channels, and acknowledged deficiencies in the existing banking arrangements. In 1948, the Bank of England, the Colonial Office and the Gold Coast government accepted that an agricultural bank, or some other form of commercial bank, established and supervised by the state, might meet a genuine need among African business clients. The Watson Commission, which investigated the Accra protests of 1948, also proposed the establishment of a Cocoa Farmers Bank.⁷⁸ The Gold Coast Industrial Development Corporation and Gold Coast Agricultural Development Corporation were founded in order to mollify local concerns about the promotion of development.⁷⁹ At the end of the 1940s, the British were satisfied that the modified credit facilities would adequately meet local requirements and now saw the priority to be education. From the economic perspective, a state bank was no longer needed.⁸⁰

None the less, in the early 1950s, demands for a state bank were kept alive by local lobbying, notably by Danquah, which the British now hoped to counter by educational exercises on finance and banking.⁸¹ For example, the British pondered the establishment of an African bank supervised by Europeans that should teach the public that money could not be obtained *ad infinitum* without being repaid, and bring home the message that credit-worthiness was required first.⁸² However, the Trevor Report, commissioned in April 1951, recommended the creation of more credit facilities in the Gold Coast. The Bank of England was highly dissatisfied with the report since it felt that it undermined the Bank's stance against unsound banking practices and basically conceded some form of state bank.⁸³ By the early 1950s, the problems posed by local lobbying had shifted to an area that was potentially more harmful to Britain than local demands for a commercial state bank, when such demands turned from banking to currency matters in general. Danquah took inspiration from the Ceylonese example,⁸⁴

the 'thorn in the flesh'⁸⁵ of Britain's management of banking and currency matters in the sterling area, and demanded a Gold Coast Bank of Issue, and thus a 'managed' Gold Coast currency.⁸⁶ This effectively challenged the existing arrangements of the West African Currency Board, which was one of the pillars of the colonial economic relationship. In the following, policy-makers planned precautionary strategies, adamant that the Ceylonese experience must not be repeated. Plans included the local administering of currency boards in West Africa, and officials cogitated a strategy on how to phase in a 'central bank' that issued currency yet at the same time remained a currency board in all but name. In 1953, the British saw such steps as expedient, though they made their implementation dependent on local developments.⁸⁷

5. The logic of colonial discrimination

British policies towards individual colonies were supposed to bear out the crucial designs which the government followed with respect to the discriminatory sterling area as a whole.⁸⁸ The British pursued different strategies to make the diverse parts of the empire conform to the same overall policy requirements, by seeking allies, by lobbying for policies and by the appropriate monitoring of the existing economic institutions. Strategies were importantly affected by perceived political opportunities and constraints in the sterling area, and underpinned by a specific development doctrine.

The arrangements of the discriminatory sterling area required a high degree of import restraint in any one territory to maximize trade surpluses and improve the balance of payments of Britain and the sterling area and ease the pressure on the reserves. Policy-makers were anxious to control imports by the empire's largest dollar earners, Malaya and the Gold Coast. It was important in this connection that the orthodox British monetary and marketing arrangements were preserved, since this meant that exchange surpluses would automatically accumulate as sterling balances. The Colonial Office's position was closely bound up with its view that colonial development and British recovery were the same. For example, when at the Conference on Techniques of Development Finance in 1951 Kenya expressed its wish to be allowed to introduce a fiduciary issue for its currency, the Colonial Office found the issue so delicate that it decided not to include it in the final report.⁸⁹ Production was boosted in commodities and regions which might contribute most to the sterling area's balance of payments. The British wished to make full use of existing institutions that facilitated the management of 'unrequited' exports in support of the sterling area. The wider policy rationale is also visible in relation to development finance, which was targeted on schemes aimed at boosting commodity exports and was allocated sparingly to holders of a large amount of sterling balances. It was crucial, too, that the marketing boards

in West Africa remained committed to cautious producer-price policies and essential that both forced and voluntary savings were promoted in order to reduce the risks of inflation. At the same time, in the early 1950s, a banking system had to be put in place that could provide adequate local saving opportunities in the absence of a real local money market. British investigations and policy in relation to local banking were also aimed at contravening possible calls on the London money market by taking gradual steps towards a local money market. The Bank of England hoped such measures would play an additional role in assuaging the pressures on colonial economies that resulted from the restrictive import policies and the accumulation of sterling balances.⁹⁰

Even where British policy seemingly disregarded its general principles, exceptions were made with the broader purposes in mind. In those areas that were not the pivots of the empire, the British strove to minimize damage, if they could not maximize gains. For example, in 1949 the Imports Diversion Committee agreed not to increase the provision of raw cotton from East Africa to Britain at the expense of India, since this would only have led to a rise in Indian imports from the United States.⁹¹ Similarly, concerning import restrictions, West Indian trade was liberalized for certain items in 1952, as a concession to Canada, which had important trade relations with the region.⁹² The less strict control of dollar expenditure by Britain's West Indian colonies also had an important political connotation. A higher percentage of West Indian imports of foodstuffs originated in North America than in any other colony; a reduction in these imports that could not be replaced by other sources considerably increased the cost of living.⁹³

Sterling area policy meshed with colonial development doctrines. Development on the periphery was meant to meet the production requirements that suited discriminatory trade flow management. However, the implementation of production schemes on the periphery also corresponded to the predilections of Colonial Office trusteeship that had evolved into Fabian reformism. Therefore, colonial developers lent support to African smallholder production under the aegis of the state. The assumption was that such development could be easily controlled and was not prone to social conflict. Support for smallholders was also politically preferable to the backing of the emerging straddling elites involved in commercialized agriculture, who moreover evoked old anxieties among British officials of 'detribalized', and therefore ungovernable, Africans in settler colonies. Alternatively, Britain sought out allies among political elites detached from the main economic forces.

The rationale of British policy at the territorial level had a distinctly political dimension. The limits of political reform were defined by Britain's need to retain her sovereignty and authority in matters affecting external economic policy. Debates about constitutional changes in the colonies were

directed with these limitations in mind.⁹⁴ The Colonial Office was mainly responsible for providing an environment suitable for the smooth functioning of the imperial economic relationship. For the period of the late 1940s and early 1950s, the Gold Coast constitutes the most pertinent case.⁹⁵

The confluence of the previously marginal urban nationalist 'elite' in the CPP under Nkrumah owed its success not least to a strange complementarity to British policy at the beginning of the 1950s. The CCP was a blessing in disguise for the British at a time when radical policy changes on marketing and monetary management might have had disastrous effects for Britain. Nkrumah coupled political radicalism with welcome economic moderation, and, according to his slogan, '[first sought] the political kingdom'.⁹⁶ This ironically turned the staunch nationalist into a moderate ally from the viewpoint of British policy-makers throughout the period. The Bank of England held Nkrumah in high esteem as a sensible politician who could be used to influence some of his less reasonable colleagues.⁹⁷ Moreover, Nkrumah drew on a different constituency from his main political opponent, Danquah, and his more radical demands for political concessions gave him a suitably wide appeal. By its ability to deliver political reform, the CPP in turn solved its legitimization problem and was able to overcome the problem of its feeble economic power base, namely vis-à-vis the cocoa growers, indigenous entrepreneurs and traditional chiefs. Thus, in essence, the political became detached from the economic realm, and the marginalization of the cocoa growers and indigenous entrepreneurs in the running of the state in the long-term enhanced antagonisms in the country.

For the British, their tacit alliance with Nkrumah allowed the smooth marketing of cocoa and prevented changes in marketing and monetary arrangements by keeping at bay both the indigenous commercial cocoa growers and the indigenous export traders. Propping up Nkrumah, by providing advice on how best to counter the demands of his opponents in the economic realm, and trading political reform for continuity in colonial monetary and financial arrangements appeared the best available strategy, and was the alternative to the previously privileged alliance with the traditional chiefs. Apart from that, in the late 1940s and early 1950s, cocoa marketing by the state intervened between the expatriate traders and the indigenous growers and diffused political tension. Local export entrepreneurs, organized in the UGCC under Danquah, were still a considerable nuisance for the British in the late 1940s because of their demands for loans, for the abandonment of dollar pooling, and for changes in the monetary arrangements, including demands for a central bank. Danquah, though definitely ill-informed in many of his economic demands, had clearly realized that his lobbying for a Bank of Issue (Central Bank) was what scared the British most. And he used this issue skilfully for his own political purposes against Nkrumah, who was satisfied with a commercial

state bank as defined in the Bank of Gold Coast Bill.⁹⁸ By the early 1950s, however, Danquah conveniently had become a marginalized political figure.⁹⁹ One might still argue that Britain's reliance on Nkrumah was a rather short-sighted strategy. In the long run, his constituency could not be expected to be the most important in the Gold Coast once immediate political aims had been achieved.

Somewhat similar to developments in the Gold Coast, the more forceful emergence of Malayan political nationalism suited rather than worried officials concerned with the management of Britain's imperial economic relations in the late 1940s and early 1950s. UMNO developed from its foundation in 1946 into an alternative to Chinese and Tamil influences in the territories. Malayan nationalism empowered those groups within the territories that had something to gain from obtaining political concessions from the British and whose socio-economic background made them at the same time less likely to challenge Britain unduly in matters of colonial export promotion and finance.¹⁰⁰ In the late 1940s, unlike during the 1930s, British policy welcomed rubber production from all sources, including smallholders, to boost rubber exports for dollar earning, in competition with both synthetic rubber and Indonesian natural rubber. Moreover, the Fabian-inspired development doctrine saw smallholder production as the backbone of colonial economies and was critical of the big firm. It is no mere coincidence that the nationalist UMNO became, in essence, the ethnic Malay smallholder party with which Britain was able to foster a reliable new political alliance congenial to her needs.

At the same time, the British knew that they could build on relations with part of the Chinese business community which was interested in a stable economic climate for the export sector, notably in Singapore. However, Britain needed to solve the problem of the Communist insurrection, which she succeeded in doing against all the odds. The British resettlement scheme during the Malayan Emergency was successful, not least due to a number of fortunate coincidences. The scheme could be financed with income from the rubber boom of the Korean War. Moreover, a high demand for labour existed because of the rubber boom and the increased competition between estates and smallholdings. In addition, wages on the estates were high and other incentives were given to skilled rubber tappers, available among the Chinese. Tappers might also get the opportunity to share in profits on smallholdings or even be able to use income to launch their own business, which had been an old dream of many migrants.¹⁰¹

Elsewhere within the empire, the constellation of local politics and economic requirements was far less problematic for the British than it was in the Gold Coast and in Malaya. Considering the whole picture, even the Gold Coast incidents were merely unwelcome hitches in what was otherwise a remarkably smooth operation of the imperial sterling area. The British were aware of the danger of the currency debate and demands in

the Gold Coast spilling over to Nigeria.¹⁰² Unlike in the Gold Coast, in Nigeria a number of African banks already existed and these alleviated claims for adequate credit facilities for the African population. The local banking boom needed to be regulated, however.¹⁰³ Central banking was not the most pressing political demand in the colony, which was also politically concerned more with the sorting out of regional constitutional matters, which suited the British well.¹⁰⁴

Kenya posed considerable problems for British policy and diplomacy during the Mau Mau revolt, which essentially was a Kikuyu civil war. However, the emergency soon became localized, when the guerrillas, faced with British military might, were forced to withdraw into the bush. British policy was unsophisticated in dealing with the conflict in Kenya, not least because policy-makers were unable to interpret its social dimension. Officials wrongly attributed Mau Mau to support from political groups, notably related to the KAU under Kenyatta. The British sought no alliance with the emerging African political elite in Kenya, which, unlike in the Gold Coast, also was the economic vanguard. The settler influence diminished. However, the Kikuyu entrepreneurs continued to gain strength. More importantly from the perspective of this account, Kenya never was a key constituent of the imperial sterling area, and British policies on Mau Mau are therefore quite separate from the problems discussed here. However, in 1947 Kenya was still considered to have potential for the sterling area, and the failure of British development schemes in the country was also due (apart from problems with competitiveness on the world market and technical mismanagement) to the inability of the smallholdings to compete against the commercial entrepreneurs among the Kikuyu.

6. Conclusion

A synopsis of this and the previous chapter shows how and why Britain and her empire became more closely associated during the major structural sterling crises between 1947 and 1953. The account has extracted the essence of Britain's imperial relations as part of her contemporary external economic relations.

During the period, Britain desperately sought opportunities to improve her balance of payments and reserve position within the sterling area and to re-establish an equilibrium in her exchange relations with the dollar area. British policy-makers were considerably constrained in this attempt by the following factors: the low production levels of Britain's industries; the recovery problems of other independent countries; the United States' push towards the liberalization of the world economy but its reluctance to grant credits to Britain; and Labour's objective of consolidating the position of the new middle classes within the British polity by providing state welfarism.

For a number of reasons, the empire could facilitate British aims. First, discriminatory management of the imperial part of the sterling area was possible, since there existed loopholes in international economic arrangements concerning the 'war-shattered' European economies. There was also the tacit acceptance by the United States that the colonies were important, if Britain was to remedy her structural trade disequilibrium; 'unrequited' exports and the accumulation of sterling balances in the colonies were preferable to other options.

Second, commodity trade with the periphery was important during the period, and commodity price booms helped in the accumulation of colonial sterling balances. The peculiarities of colonial monetary arrangements and state marketing sustained an accumulation of the balances and an anti-inflationary policy.

Third, there were reasons why these arrangements were not challenged unduly during the period within the colonies themselves, though pressures increased, notably in the Gold Coast. Import restraint could be more successfully sustained in territories with a relatively small urban elite that had only limited formal influence in the running of the territory. Even as the political and constitutional realm widened, Britain was successful in retaining control over colonial institutions and arrangements that mattered for the sterling area. Political reform was able to divert attention from substantial economic relationships and problems of the management of colonial economies. It also made perfect sense in certain sub-contexts to follow the British lead; in others, there were objectively few alternatives. However, it is important to realize that the rationale of policy followed Britain's requirements, not those of the colonies. The implementation of policy was shaped by the mutual influences of Britain's design of external economic relations and the Fabian-inspired doctrine of colonial development.

On the whole, Britain consciously co-opted the empire in her external economic relations. This policy provided considerable support for Britain's economy during the period. Moreover, there were grand designs for developing the empire in a protectionist world. But the discriminatory management of empire was unlikely to last, for two main reasons: its inevitably diminishing returns, and the fact that colonial economic development undermined selective discrimination. Thus, the empire provided a relatively easy option during economic crises. None the less, key policy-makers kept their eyes firmly on the wider aims of reintegrating Britain into a multilateral international economic order.

By 1953, the established management of the imperial sterling area had become problematic. Moreover, attempts to boost the production of new colonial commodities had failed. At that time, Britain attempted to pursue its own initiatives towards the convertibility of sterling with greater resolve. The level of the colonial sterling balances had swollen considerably. The belief that these balances did not constitute claims on Britain was not one adhered

to by the Bank of England and the Treasury. Meanwhile, pressures for change increased in some colonies in relation to colonial monetary arrangements, the provision of development finance, and import liberalization to boost development. The following two chapters will address these issues.

Appendix

(For an introductory note on the appendices, see Appendix to Chapter 4.)

Tables A.5.1 to A.5.4 summarize overall and regional figures of colonial dollar expenditure compared to imposed ceilings and available estimates.

Table A.5.1 Dollar expenditure, colonial total (including entrepôt centres), 1948–58 (\$ million)

	Estimates	Ceilings	Actuals
1948	455 (USA 318) ^a	248 ¹	330 ^b 315*
1949		216.8 ²	241 ^b 225* 271 ^x (USA 152)
1950		159.7 ³	130*
1951			207*
1952			191*
1953		168 ^c	170*
1954		160 ^c	
1955		314 ²	
1956			334 (USA 203) ^x
1957			355 (USA 215) ^x
1958			360 (USA 214) ^x

Note: Figures are c.i.f., with the exception of * which are f.o.b. Moreover, * figures include visibles only (one can assume the invisibles at about 8 per cent of total imports).

Sources:

¹ 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr. 1948, PRO CO 852/830/1.

² 'Cabinet. Committee on Colonial Development. 1950 Dollar Ceilings. Report by the Chairman of the Sub-Committee on Imports. C.D.(50)3', 11 Jan. 1950, PRO CAB 134/66.

³ 'Cabinet, Committee on Colonial Development, Colonial Dollar Expenditure', 2 Feb. 1951, PRO CAB 134/67.

^a Estimated Balance of Payments between the Colonies and the Western Hemisphere (based on replies to Colonial Office Telegrams Nos. 24 and 25 of 20 Feb. 1948), CO 852/830/2.

^b 'Dollar Drain Committee. Report on Colonial Dollar Ceilings for 1949 and 1950. [D.D.(50)6]', 7 Feb. 1950, PRO T 236/3751.

^c Atkinson (R.H.) (B/E, Overseas & Foreign Office, Group IX) to Fisher, Watson (B/E), 'Colonial Dollar Import Programmes, 1954', 20 Jan. 1954, EID 3/93/441/2. * CO Annual Reports.

^x Derived from *Digest of Colonial Statistics*.

^z Under conditions of dollar liberalization, calculated from Colonial Office (Under SoS for the Colonies), 'Analysis of Replies received to Circular Telegram of 1st June. Liberalisation of Dollar Imports: Estimates of Cost', 10 Sep. 1955, EID 3/93/441/2.

Table A.5.2 Dollar expenditure, West Africa, 1948–55 (\$ million)

	Estimates	Ceilings	Actuals
1948	47 (USA 42) ^a	29 ¹	35 ^b 25*
1949		21.63 ²	18 ^b 25*
1950		16.82 ³	20*
1951			28*
1952		33.5 ⁴	23*
1953		25 ^c	25*
1954		25 ^c	
1955	59 ^z		

Note: Figures are c.i.f., with the exception of *which are f.o.b. Moreover, *figures include visibles only (one can assume the invisibles at about 8 per cent of total imports).

Sources:

¹ 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr. 1948, PRO CO 852/830/1.

² 'Cabinet. Committee on Colonial Development. 1950 Dollar Ceilings. Report by the Chairman of the Sub-Committee on Imports. C.D.(50)3', 11 Jan. 1950, PRO CAB 134/66.

³ 'Cabinet. Committee on Colonial Development, Colonial Dollar Expenditure', 2 Feb. 1951, PRO CAB 134/67.

⁴ Interdepartmental meeting, 'Colonial Import Programmes, Extract of Minutes of Meeting of 28 January', 28 Jan. 1952, PRO CO 852/1139/5.

^a Estimated Balance of Payments between the Colonies and the Western Hemisphere (based on replies to Colonial Office Telegrams Nos. 24 and 25 of 20 Feb. 1948), CO 852/830/2.

^b 'Dollar Drain Committee. Report on Colonial Dollar Ceilings for 1949 and 1950. [D.D.(50)6]', 7 Feb. 1950, PRO T 236/3751.

^c Atkinson (R.H.) (B/E, Overseas & Foreign Office, Group IX) to Fisher, Watson (B/E), 'Colonial Dollar Import Programmes, 1954', 20 Jan. 1954, B/E EID 3/93/441/2.

* CO Annual Reports.

^z Under conditions of dollar liberalization, calculated from Colonial Office (Under SoS for the Colonies), 'Analysis of Replies received to Circular Telegram of 1st June. Liberalisation of Dollar Imports: Estimates of Cost', 10 Sep. 1955, B/E EID 3/93/441/2.

Establishing the ceilings of individual territories in individual categories of goods was the main quantitative work of government departments concerned with colonial economic management during the period. The figures available on these issues are detailed. However, policy-makers focused on the practical concern of establishing, imposing and monitoring the ceilings. Systematic estimates of the level of colonial dollar imports without ceilings were made only in 1947–8 and in 1955. Similarly, policy-makers did not go beyond an ad hoc retrospective assessment in comparing targets with actual figures. Moreover, the changing regional emphasis in policy influenced the collection of data. For example, the *Digest of Colonial Statistics* excluded actual figures for East Africa because East Africa was not considered to be vital in dollar saving. The available material is therefore sketchy, despite its bulk.

On the whole, policy-makers were satisfied with the achieved reduction of dollar expenditure in comparison with the set targets. Moreover, they judged that the

Table A.5.3 Dollar expenditure, Malaya, 1948–55 (\$ million)

	Estimates	Ceilings	Actuals
1948	104 (USA 93) ^a	74 ¹	121 ^b 115*
1949		33 ²	55 ^b 60*
1950		20 ³	22*
1951			56*
1952		? ⁴	42*
1953		29 ^c	25*
1954		19 ^c	
1955	36 ^z		

Note: Figures are c.i.f., with the exception of * which are f.o.b. Moreover, * figures include visibles only (one can assume the invisibles at about 8 per cent of total imports).

Sources: for detailed references, see Table A.5.2.

¹ PRO CO 852/830/1.

² PRO CAB 134/66.

³ PRO CAB 134/67.

⁴ PRO CO 852/1139/5.

^a PRO CO 852/830/2.

^b PRO T 236/3751.

^c B/E EID 3/93/441/2.

* CO Annual Reports.

^z Under conditions of dollar liberalization, calculated from B/E EID 3/93/441/2.

Table A.5.4 Dollar expenditure, East Africa, 1948–55 (\$ million)

	Estimates	Ceilings	Actuals
1948	25 (USA 21) ^a	19 ¹	16 ^b
1949		22 ²	28 ^b
1950		15 ³	
1951			
1952		25 ⁴	
1953		12 ^c	
1954		12 ^c	
1955	32 ^z		

Note: Figures are c.i.f., with the exception of * which are f.o.b. Moreover, * figures include visibles only (one can assume the invisibles at about 8 per cent of total imports).

Sources:

¹ PRO CO 852/830/1.

² PRO CAB 134/66.

³ PRO CAB 134/67.

⁴ PRO CO 852/1139/5.

^a PRO CO 852/830/2.

^b PRO T 236/3751.

^c B/E EID 3/93/441/2.

^z Under conditions of dollar liberalization, calculated from B/E EID 3/93/441/2.

degree of dollar imports would have been about 50–80 per cent higher than without restrictions (in an overall total that excluded Hong Kong). However, it is not clear whether or not it was expected that this level would be sustained over a period of several years. In general, and particularly in the case of Malaya, the considerably higher figures for estimates than for 'actuals' in 1948 and 1949 reflect the initial problems with the management of dollar ceilings. Policy-makers admitted failure in the case of Malaya. The relatively limited increase in Malayan dollar expenditure under conditions of dollar liberalization is due to the fact that the bulk of its overall increases in imports was expected to lie with other hard currency areas, notably Japan.

For a cursory overall assessment of the colonial balance of payments with the dollar area, see chapter 3.

Part III

Divergence: Britain, Empire and Planned Liberalization, 1953–56

6

Britain and Economic Liberalization: Imperial Relations Adjusted, 1953–56

The period 1953–56 was characterized by some degree of economic liberalization in Britain's foreign economic and financial relations. Britain's gradual retreat from discriminatory policies influenced her imperial relations and posed problems in colonial economic management and imperial control. The transformation towards a more liberal British welfare state and the move towards the convertibility of sterling impacted on imperial relations, as did progress towards liberal multilateralism in international organization and economic cooperation in Europe. However, Britain approached the liberalization in trade and payments hesitatingly, especially in the empire. This course was hazardous because of Britain's continuing vulnerable position in the international economy, and the United States' reluctance to support Britain financially. The shaping of imperial policy reflects Britain's ambitions as well as her concerns. The legacy of her management of the discriminatory period and the huge accumulated colonial sterling balances in particular entailed conflicts in the empire, when liberalizing Britain's external economic policy. This endeavour brought different policy agendas on imperial liberalization of British government departments to the fore, indicating changes in the British polity. The following account focuses on the transformation of British imperial relations and policies, by taking a broad view of economic liberalization; the precise manifestations of liberalization in their own right will unavoidably take second stage. None the less, joining an account of Britain's economic liberalization and imperial relations is new territory which will also draw attention to the hitherto neglected political aspects of economic liberalization during the period in general.¹

1. The liberalizing welfare state

The return to power of a Tory government in late 1951 occurred when the limits of discriminatory sterling management were becoming apparent.

Labour's election defeat was prompted, in part, by the authorities' failure to remedy Britain's external payments problems. The change in government marked a turn towards the paramountcy of liberal doctrines, if not yet practice, in economic policies. The period 1953–56 witnessed the partial re-emergence of the traditional liberal British state albeit in a transformed shape. Notably, this government was determined to reconcile welfarism with the liberalization of payments and the fostering of the international role of sterling. Ideological differences prompted changes in the running of the welfare state, but did not compromise the essence of welfarism and full employment. The Conservatives advocated a state that refrained from direct intervention in the economy wherever possible, though in practice physical controls were abandoned only gradually, and demand management inspired by Keynesianism was adopted rather hesitatingly. The return to convertibility was seen as imperative lest sterling's role as an important means of international exchange was jeopardized. Intervention in market forces to control capital flows from the London market was considered improper. Institutionally, the influence of the Bank of England in its traditional role in managing sterling again became strengthened.²

None the less, the British economy was in only slightly better shape than in the preceding period. Between 1953 and 1956, Britain achieved improvements in domestic industrial production, but still encountered serious current payments deficits. Structural sterling crises became transformed into speculative ones in 1954–5 and again 1956–7; the dollar gap was closing slowly. Moreover, once Britain had embarked on the road to convertibility, there was no turning back. Policy was pushed by the forces inherent in such a step. Delaying convertibility might increase the speculative pressures on the pound, as was the case in the 1954–5 crisis. And once *de facto* convertibility had been introduced in 1955, there was mounting pressure for *de jure* convertibility.³

From the reinvigorated liberal state in Britain ensued a particular set of priorities with respect to the empire which differed from the previous period. On top of that, the altered conditions set by the liberalizing state provoked incompatibilities with established imperial economic relations. The general implications for the empire lay primarily in the fields of sterling area management, capital exports and colonial development.

Sterling area policy in view of convertibility required the reduction of potential claims on Britain's resources; at the same time, trade discrimination was still useful with respect to the empire to cushion balance of payments imbalances. But during liberalization the accumulation of colonial sterling balances through discriminatory measures was inadvisable because this strategy merely deferred claims on Britain; it did not reduce them. This was an even more risky strategy in the mid-1950s because convertibility and trade discrimination were ultimately seen to be irreconcilable.⁴

Therefore, whenever there was a sterling crisis during the liberalizing period, it was the capital side of the balance of payments that had to be controlled in the empire, not the current side that needed to be boosted. This stood in sharp contrast to the discriminatory period.

Bound up with these requirements of liberalizing sterling relations was a more systematic effort than previously to channel capital flows into areas which were short of sterling. Accordingly, aid allocation became increasingly selective and was no longer part of an overall development drive in the empire. For example, if a territory had a long-term prospect of increasing production but required heavy investment, Britain refused capital in case this territory held a large amount of sterling. In sharp contrast to the preceding period, colonial self-financing was expected to achieve a reduction in sterling holdings. As earlier, capital exports ought to yield an immediate return, or otherwise stimulate growth in promising economies that were short of sterling. However, after 1953 colonial development became marginalized in this strategy of Britain's external economic policy.⁵ In addition, any pressures exerted on the London money market by colonial demands for loans ought not to be at the expense of those overseas borrowers that were deemed desirable pillars for sterling's position in a liberalized world economy in the future. This also implied that the state's role as a guarantor of credit arrangements would have to be reduced and ultimately phased out.⁶

The specific structural inconsistencies and conflicts that emerged between the new priorities in Britain's external economic relations and the legacy of colonial economic arrangements lay in two main areas. First, the colonial monetary mechanism favoured the accumulation of sterling balances under conditions of discriminatory trade management and commodity price booms. This was no longer a welcome property. None the less, dismantling these arrangements was equally undesirable because this might enhance pressures on Britain's reserves and even encourage peripheral economies to loosen their ties with sterling. Second, arrangements that helped to provide development finance and capital flows to the colonies contradicted liberal principles because they implied state intervention, which in turn distorted market forces.⁷

Therefore, the liberalizing state in Britain first went along with the maintenance of the *status quo* on the periphery. But then, in the mid-1950s, liberalizing Britain's external economic relations in trade and payments, while preserving discriminatory and restrictive colonial economic policies proved to be mutually exclusive goals. On the whole, Britain's move towards liberal trade and payments reduced her involvement with the empire. Yet, this move was also hampered by the peculiar economic relationship with the empire which had developed since the beginning of the twentieth century and had acquired a pronounced significance in the period 1947–53.⁸

2. Liberalization and economic diplomacy

Besides the internal constraints, external influences affected Britain's move towards the convertibility of sterling and trade liberalization, and therefore had an impact on her imperial relationships. Important constraints resulted from negotiated long-term arrangements and principles of international economic relations, notably the Bretton Woods agreements, and from economic and diplomatic relations, especially with the United States, Europe and the independent sterling Commonwealth.⁹

During the period 1953–56, the United States was satisfied that Britain, under Conservative leadership, would pursue liberal policy aims in her own interest, and expected convertibility to be introduced in due course.¹⁰ At the same time, the United States, owing to a recession in 1953–4, failed to give full support to a rapid move towards the convertibility of sterling by funding the sterling balances.¹¹ Ironically, the US government was less keen to press multilateralism on the British at the moment when the Conservatives themselves advanced in this direction. Therefore, US pressure on Britain for a solution to the problem of Britain's overseas sterling balances diminished.¹² As in the previous period, the British were basically free to adopt whatever imperial policies they deemed necessary for balance of payments purposes as long as they sorted out the problems relating to the accumulated sterling balances on their own. None the less, indirect pressure on Britain mounted via the process of a continuous extension of economic multilateralism which was evolving in the General Agreement on Tariffs and Trade (GATT).

Britain had to weigh the risks and extent of a convertibility operation which she was able to sustain on her own. In that respect the stance of the United States may have had some effect on prolonging discriminatory management towards the empire. The British knew that the Americans needed to be solicited further to provide finance,¹³ and the British Treasury accused the United States of lacking the required 'good creditor policies'.¹⁴ Therefore, Britain attempted to elicit more active support from the United States with the so-called 'collective approach' and to coordinate a move towards convertibility in international fora by obtaining the required safeguards. These negotiations did not promise rapid progress, and Britain was driven towards convertibility by technical considerations in the European context.¹⁵

The problems of international economic reorganization, too, had indirect repercussions on Britain's relationship with the empire. These issues, among other factors, had the potential of heightening British concerns about the control of capital movements under various contingencies, and influenced the speed with which Britain moved towards convertibility. The safeguards Britain required in view of her persistent current payments imbalances pertained to the definition of convertibility on the one hand, and to the extent

of permissible trade discrimination after the introduction of convertibility on the other. Negotiations with the GATT and the International Monetary Fund (IMF) were important in so far as they affected the extent to which the union of Britain and the empire might be used as a cushion during future balance of payments crises, as had been the case in the period 1947–53.¹⁶ Moreover, the legal definition of convertibility in the context of the IMF might have an impact on the feasibility of stemming or anticipating colonial capital claims on Britain.¹⁷

With regard to convertibility and discrimination, Britain, in contrast to the United States, was apprehensive of moving too radically or too quickly towards anti-discrimination. The British feared that this might thwart their ability to resort to some form of discrimination in a likely emergency. Therefore, the time span was a matter of concern required in liberalizing international payments for a move from article XIV of the IMF provisions, which allowed discrimination, to article VIII of the provisions, which disallowed direct discrimination. Equally, Britain accepted that quantitative restrictions might have little future under convertibility and that the GATT's 'No New Preference Rule' could not be challenged. However, officials hoped for some opt-out provisions in tariff matters to ease their problems. In the event, it was not feasible to tighten trade rules to any significant degree while introducing convertibility. Significantly, however, while the GATT was strongly against preferential arrangements, it created no obstacles to regional trading and monetary groups. GATT provisions, even in the mid-1950s, continued to protect the use of Britain and the empire as a single discriminatory entity. Moreover, it appeared that the control of capital movements, while decontrolling current payments under article VI of the IMF provisions, could be maintained in the long run.¹⁸ But, whatever the legal interpretation, it would not remedy the harmful political pressure the imperial periphery might ultimately bring to bear on the sterling area framework by demanding releases or compensation for accumulated sterling balances.

In relation to international economic reorganization Britain was, moreover, subject to considerable pressure from the independent sterling Commonwealth. The ensuing changes in mutual relations had a certain knock-on effect on demands by colonial members of the sterling area.¹⁹ The independent sterling Commonwealth pushed Britain towards convertibility. These countries, in fact, still held sterling to an extent they did not require. Moreover, they became increasingly inclined to accumulate their own dollar and gold reserves, thus counteracting the presumed 'common interest' of the sterling area and undermining sterling's international position. Both, in turn, made it necessary for Britain to appease them. The issue had already emerged during the discriminatory period. But now that British policy was becoming more liberal, the sterling Commonwealth put its position more forcefully; counter-arguments from Britain rang increasingly hollow.²⁰

During 1956, the British government also became aware of a new trend in international trade, away from the sterling area and towards trade between industrialized countries.²¹ Liberalization in Europe had repercussions on Britain's imperial relations because it implied that trade relations within that area would become more important. The successful liberalization of payments in conjunction with freer trade required the introduction of convertibility in Europe in a coordinated way. This was precisely what the European Payments Union was designed to do.²² Since at least 1954 policy-makers in London had realized that action by one country alone might create unbearable pressure on Britain's currency. Uncoordinated action might precipitate the very breakdown of trade liberalization, as well as entailing the failure of the desired move towards freer currencies.²³

More important, however, were plans for the creation of a European customs union, proposed by continental countries (led by France and Germany) at Messina in mid-1955. If implemented, the proposals threatened to disturb Britain's existing trade flows and the balancing mechanism of external payments within the sterling area and beyond.²⁴ This prospect had even more far-reaching implications for Britain and the empire than the anticipated move to liberalization. The introduction of a customs union would reorient Britain's trade flows towards Europe on an even greater scale. A customs union had the potential of virtually disrupting the sterling area in its existing form – unless, of course, Britain refrained from joining. The role of the colonies and the Commonwealth in Britain's external economic relations would thus be greatly diminished. Alternatively, if Britain remained outside, a customs union on the European continent would present a serious challenge to the competitiveness of British exports in expanding markets.

3. The imperial policy of liberalization

The professed British aim of implementing multilateralism prompted a shift in policy priorities. The new orientation is borne out by Britain's approach to convertibility, trade liberalization, capital exports and policies towards the sterling area and sterling in general. The liberalization of external economic relations significantly affected Britain's crucial relationships with the empire. Moreover, the established relationships themselves came under scrutiny, and policy was readjusted.

The principal aim of both Conservative governments during the period was to prepare liberalization in trade and to create the environment in which the convertibility of sterling could be carried through successfully. This objective had been widely publicized in relation to the Commonwealth Economic Conference of 1952.²⁵ The Conservatives reaffirmed traditional ideas of liberal sterling policy inspired by prewar policies, but sometimes fused them with wartime practices.²⁶

Britain eventually turned towards internal measures to ease balance of payments problems and to stem inflation. A current balance of payments surplus within a margin of £200 million to £500 million was deemed necessary in order to meet the claims that resulted from liberalization.²⁷ Governments adopted mainly 'monetary' measures to achieve this aim, though still supplemented by direct physical controls. When, in the mid-1950s, it was realized that the liberalization of payments would eventually be bound up with the liberalization of trade, governments gave even stronger emphasis to 'monetary' management. Budget surpluses were to be achieved from compulsory savings in industry and by the public.²⁸ Britain's cheap money policy of the late 1940s, which had been continued in the early 1950s, was replaced from 1953 by policies that made money dearer. The basic lending rate, Bank Rate, rose from 4 per cent in 1952 to 6 per cent in 1955, and to 7 per cent in 1957.²⁹ Conservative governments adopted temporary import and almost permanent hire purchase restrictions in order to protect the balance of payments. Observers characterized government policy as 'stop-go' because of the frequent interruption of economic expansion during payments crises. Such measures superseded earlier practices of inflationary control and balance of payments cushioning via the sterling area. Systematic discrimination was no longer available to the same degree, since it clashed with liberal principles.³⁰

As an alternative, the British adopted safeguards to make convertibility feasible. The transferable account area of sterling was only gradually broadened.³¹ The so-called 'collective approach' of the Commonwealth included as its aim merely 'non-resident' convertibility.³² At the same time, policy-makers attempted to check the form and extent of trade liberalization. Britain was determined to retain the option of quantitative restrictions within the empire sanctioned by the 'common quota' clause,³³ when international fora discussed new world trade rules in early 1954.³⁴ Precautions were also taken with regard to a move to article VIII of the IMF. The Treasury thought that the move ought not to rule out the possibility of using quantitative restrictions during balance of payments crises for two to three years after the introduction of convertibility.³⁵ Otherwise, British policy moved away from the use of quantitative trade restrictions, which were no longer seen to be expedient in a liberalizing world economy. Similarly, trade preferences were doomed under multilateralism. Their introduction in those parts of the empire, such as Africa, where they never had been important anyway, was not considered to be an option.³⁶ What was called for now was a coherent tariff policy, which the British hitherto had lacked.³⁷ Eventually, moreover, trade liberalization in Europe became a major concern in view of the competitiveness of British industry in crucial markets. These concerns were borne out by Britain's Free Trade Area proposal of late 1956, known as 'Plan G'.³⁸

On the capital side, government policy gave precedence to capital exports over a further increase in domestic investment. Manufacturing output was promoted by commercial credit arrangements. Capital exports were encouraged towards Canada and South American countries. Capital flows to the independent sterling Commonwealth remained of the utmost importance. And, British investors continued to show a strong propensity towards these countries at the expense of the newly independent Commonwealth.³⁹ At the same time, Britain discontinued financial agreements on sterling releases, dating back to the 1947 sterling crisis, in areas where the control of capital transactions was no longer required, namely India, Pakistan and Ceylon.⁴⁰ Moreover, the British government attempted to check the level of independent gold and dollar reserves held by independent sterling area members. Such a diversification of reserves had become a definite trend in the sterling Commonwealth, 'old' and 'new'.⁴¹

The inconvertibility of sterling continued to strain the allegiance to Britain of the independent sterling Commonwealth in the mid-1950s. Meanwhile, the main concerns of Britain's imperial economic policy moved away from the current and trade side towards the capital and banking side. Policy focused on the colonial sterling balances, colonial development finance and borrowing, in the first instance. Only later did the related issues of colonial trade liberalization, colonial balance of payments and colonial development policy become relevant.

With regard to the empire, discriminatory policy, notably in relation to dollar import restrictions, was still strong. It was not until the mid-1950s that the formal measures petered out. Colonial liberalization was cautiously phased in in 1956, when imports were increased and colonial balance of payments surpluses were reduced.⁴² On the whole, policy became more guarded in using the discriminatory potential of colonial balance of payments surpluses and emphasized defensive action on the capital side. This action aimed at achieving a controlled reduction of the colonial sterling balances, while at the same time reducing capital flows to the colonies. On the one hand, British policy encouraged the colonies to draw on their reserves. On the other, policy attempted to direct these withdrawals into channels that were acceptable from the perspective of Britain's move towards liberalization, and to control their quantity.

The most important concrete measures designed to achieve these aims were recommended by the 1953 Working Party on Colonial Sterling Assets.⁴³ These recommendations included a shift in policy affecting currency board funds. As a result, in late 1954, the British government allowed the implementation of a reduction of the previously full currency cover by up to 20 per cent. This was, in effect, a measure to control colonial balances by shifting them to a more secure place rather than a measure to reduce them, since the withdrawn margin was to be invested in local securities in the colonies. For various reasons, this fiduciary issue was

rapidly implemented only in East Africa. Another measure affected the West African marketing board funds. A small part of these funds could equally be invested in local securities. The banking funds were also affected. Up to one third of savings banks funds could be invested in local securities. However, the practice of maintaining reserves equivalent to half a year of a colony's government income remained unchanged. Taxation, too, remained at a very high level.⁴⁴ At the same time, the Crown Agents were informed of the need to manage the liquidity of colonial investment funds in such a way as to be able to meet the anticipated level of disinvestment. However, they were allowed, under periodical review, to continue to invest part of colonial funds in new colonial loan issues for other colonies on the London market.⁴⁵

In order to control a reduction of the sterling balances by the colonies, British policy also tightened borrowing and colonial development finance. A linkage was made between the sterling balances and aid for the colonies, be it in the form of loans from the London money market or assistance within the framework of Colonial Development and Welfare (CD&W).⁴⁶ The aim of reducing demands for new finance and the use of reserves prompted a review of existing development plans.⁴⁷ Colonial borrowing from the London money market was sharply reduced. The major holders of colonial balances were not allowed to float new loans, and received little or no CD&W assistance. Other projects were to be financed from alternative sources, such as loans from the International Bank for Reconstruction and Development (IBRD). Moreover, policy now showed more flexibility towards direct investment in the colonies by the United States.⁴⁸ In contrast to the Labour period, colonial development policy shied away from active involvement in development projects, focusing instead on their financial evaluation and administration.

In spite of these measures, the Treasury and the Bank expected in mid-1956 that considerable new pressures on Britain's reserves would arise from the colonial sterling balances.⁴⁹ From 1956, the policies that had been aimed at adjusting Britain's economic relations with the empire came under renewed review.⁵⁰

4. The rationale of imperial adjustment

Britain's priorities moved towards the internationalization of sterling and from a sterling area that operated under discriminatory assumptions of international economic relations to one that operated under economic multilateralism. Consequently, the rationale of Britain's external economic policy changed. Moreover, this shift bears out how imperial policy was embedded within the context of wider British policy designs.

The restoration of sterling into a liberal world economy required that confidence in the pound had to be boosted. This applied to relations within

as well as beyond the sterling area. Ideally, Britain had to be able to withstand potential pressures on her currency from the capital side as well as from a possible reduction of trade barriers. Improving confidence implied, in the simplest terms, that holding sterling must be voluntary and in the interest of the holders rather than 'forced'. Therefore, sterling transfers by holders of sterling balances had to be facilitated. This, however, was fraught with difficulty, not least because the British economy could, in reality, neither meet the ensuing claims nor cope with their inflationary potential.⁵¹

Moreover, capital exports towards areas that were short of sterling had to be given priority in order to stimulate export-led growth. Areas that were rich in sterling were now the most suitable outlets for British exports in terms of sterling requirements.⁵² By contrast, capital exports towards these areas had to be cut down, since they increased the pressure on Britain's resources. Previously, policy had paid little attention to the fact that capital flows towards areas rich in sterling also increased future claims on Britain. Such capital exports, if they could be spared, were considered a worthwhile investment for sterling area purposes. However, the Conservatives, unlike Labour, had no faith in the development of the colonies as a pivot of the sterling area.⁵³

None the less, British officials continued to believe that future financial and trade policies ought to keep the construction of a viable sterling area in mind.⁵⁴ The sterling area had to regain its ability to coordinate domestic economic policies in situations of crisis in order to protect sterling's international role. For the same reason, the independent sterling area had to be motivated to make use of the London money market and to continue to hold the bulk of its currency reserves in sterling. In the independent sterling Commonwealth, trade liberalization in general was well advanced. The British also saw convertibility as a necessity to maintain the coherence of the sterling area.

Boosting the economic performance of the dependent sterling area was not the main British concern in the period 1953–56. Rather, colonial sterling holdings had to be reduced while at the same time preventing the basic economic relationships from disintegrating. In striking contrast to the period 1947–53, Britain's external economic policies were hindered rather than furthered by the legacy of her policy towards the empire.

In the late 1940s and early 1950s, British policy had generally accepted that the accumulation of colonial sterling balances would not be a source of pressure on Britain's resources. The first committees to examine the feasibility of the convertibility of sterling shared this assumption.⁵⁵ However, by 1954 this perception had changed markedly. British policy-makers rediscovered that the colonial sterling balances might constitute an unwelcome obstacle on the way towards the smooth introduction of convertibility.⁵⁶ This concern was intensified by the realization that the colonial sterling balances by that time had become the most important part of total

overseas balances.⁵⁷ With respect to capital movements to the dollar area and the need for exchange controls, the risk lay with the sterling area and the 'resident' holders of sterling.⁵⁸ Compliance with the rationale of external economic policy meant that these aims had to be achieved in parallel: the reduction of balances, the reduction of capital flows to the colonies (especially loans and grants), and the conservation of important discriminatory trade measures in the colonies. These objectives were not completely reconcilable.⁵⁹

Policy choices have to be understood from the perspective of policy presumptions and perceptions. First, policy-makers saw colonial grants and loans as an important factor preventing them from keeping a check on the colonial sterling balances. Apart from this, it was thought that the market for colonial loans would deteriorate.⁶⁰ Second, British policy was careful not to provoke the disintegration of existing economic relationships with the colonies. A disruption of the colonial monetary mechanism might increase the pressure on British resources unduly; it might also be tantamount to abandoning the close colonial link with sterling and the British economy altogether. Finally, during this period British policy-makers largely assumed that politicians in the colonies would not see it in their self-interest to question these basic links, even if they were prone to being misguided.⁶¹

According to a widespread and genuine misapprehension among policy-makers in the early 1950s, the colonial sterling balances were largely the result of capital inflows.⁶² Another misconception, though less widespread, was that the colonial balances were merely the result of commodity price booms and, therefore, had nothing to do with British policy and the running of colonial economic institutions. Claims on accumulated balances would increase as boom prices vanished, and the level of accumulated balances would then unavoidably fall. A reduction of capital flows to the colonies would also bring a reduction in the level of the balances. These misapprehensions explain in part why the remedies attempted in 1953 had still not produced the required cure by 1956. The measures designed to promote alternatives to London aid and borrowing, notably the modest reduction of the currency cover and increased self-financing, correlate with a reduction of London market loans to colonies that were rich in sterling. However, expectations of a reduction in the colonial balances were dashed.⁶³

Even when taking the issue of reducing capital flows to the colonies in isolation from the problem of the balances, the sums involved must be put in perspective. They were relatively small compared to the volume of capital that went to other parts of the world.⁶⁴ Moreover, it was in principle desirable that overseas countries used London as their capital market. Far more important were British policy doctrine and priorities. Sufficient capital would not flow to the empire as a result of market forces. The high Bank Rate, which inhibited overseas borrowing, was not the only or even the main reason why the colonies received less capital from loans.

Rather, support by the state for colonial borrowing contradicted liberal economic principles and obstructed the empire's adjustment to a liberal international economic order. Only about a half of all colonial loans were subscribed for by the general public; the other half were in fact inter-colonial investment via the Crown Agents. This flow heightened concerns about long-term development finance for the colonies under liberalized conditions.⁶⁵ By contrast, capital exports to other areas, namely the Americas, fulfilled a more useful role for the preparation of Britain's move towards convertibility and liberalization. Such investment would rekindle or strengthen British financial and trading interests where it mattered more.

The whole issue of the colonial balances and capital flows was of little concern as long as there existed a convergence of interest among British government departments that the balances were useful or unavoidable, and as long as nobody seriously questioned the long-term implications. Yet, in view of convertibility and trade liberalization, an anticipation of sudden claims on Britain's resources was warranted. In reality, a reduction of the balances rather than a mere reduction in the rate of their accumulation would have required a balance of payments deficit, and also a considerable degree of dollar liberalization. A reduction would have required some radical structural and policy changes, such as import liberalization, a less austere management of government funds and marketing board funds, and a larger reduction in the currency cover. Such changes challenged important features of colonial economic policies and institutions and bore risks which, at that time, policy-makers were not prepared to take.

The assumption on which policy was based until 1956 was that colonial economic arrangements would on the whole remain intact. Therefore, claims on Britain that needed to be taken into consideration were largely those that would emerge from the balances that could be withdrawn without changing the existing arrangements in any important way. None the less, the British saw a decrease in the level of the balances as highly desirable. A reduction in balances, though in itself constituting a claim on British resources, might also reduce the pressure on the London market in the long run. This reduction of claims on Britain was important, if confidence in sterling was to be promoted. Moreover, a reduction of the colonial sterling balances might also support Britain's export trade when used as a counter-cyclical measure during a recession in the United States.⁶⁶ However, this was at best a temporary outlet: the remaining colonial markets were not those Britain needed to remain competitive in the long run, and to guarantee full employment. Policy-makers hardly listened to lobbyists who reappeared from among the 'old' imperialists during the Conservative period of the 1950s, and who demanded colonial preferences to be introduced or increased. These pressures were not only completely against the grain of the pursued sterling policy, but also hardly feasible with regard to economic multilateralism.⁶⁷ British policy-makers were aware of

the growing importance of the trend in Britain's current trade relations towards European markets. They were equally adamant about overcoming obstacles which the internationalization of sterling encountered on the capital and banking side.

This double concern is well demonstrated by the idiosyncratic way in which Britain responded to the initiative for a European customs union in 1956. The British Free Trade Area proposal was designed to neutralize the potential damage to Britain of European integration, and to regain a measure of lost initiative.⁶⁸ For imperial relations the more specific implications were that joining a customs union would upset existing trade and payments arrangements within the sterling area, since, by definition, this amounted to a common external tariff. A free trade area retained tariffs for individual members. This meant that sterling area arrangements were in principle left unimpaired, provided that the empire and Commonwealth were excluded. Moreover, by focusing on manufactures British export interests would be boosted on the continent of Europe. At the same time, by excluding agricultural produce, policy averted the drawbacks of having to cope with inflows of European agricultural produce at the expense of produce originating in the sterling area. This preservation of imperial trade and payments arrangements was important in view of the prospective sterling convertibility operation and any payments crisis that might emerge. Moreover, these arrangements helped members of the 'old' Commonwealth to balance Britain's invisible surplus with them. If the colonies themselves became part of the Free Trade Area, their trade could become reoriented towards the European continent. This might affect the existing trade and payments arrangements at Britain's expense.

On the whole, the problem of reconciling potentially conflicting interests within the British polity – representing finance, manufactures, and trade – became more acute during the liberalizing period. The chosen course of policy was the result to an important extent, of inter-departmental discussions reflecting divisions within the British state.

5. The British polity and imperial liberalization

A striking feature of the period 1953–56, in contrast to the preceding discriminatory period, was the breakup of the 'common cause' of British policy.⁶⁹ There had been a unanimity of purpose rather than of doctrines or objectives; the adjustment to economic multilateralism brought forces of division within the British polity to the fore. These divisions resulted from the requirements liberalization imposed on the established functions of government departments on the one hand, and from wider societal influences on the other.

The Bank of England resumed its traditional role as the patron of Britain's sterling policy. The Bank, since the mid-1950s, had been a keen

advocate of a rapid return to the convertibility of sterling.⁷⁰ While the Bank considered it necessary to obtain a number of discriminatory safeguards, British policy must not be seen to be too hesitant lest confidence in sterling deteriorated and Britain's financial and trading interests were irreversibly harmed. The Bank was concerned that the Treasury might take too strict a line on retaining discriminatory options for purposes of international bargaining; the Bank wished to limit the options to severe balance of payments crises.⁷¹ Therefore, the Bank's chief aim was to regulate the capital market and capital flows, and to readjust them to sterling's needs under conditions of economic multilateralism. To achieve this, colonial borrowing and claims posed by the colonial sterling balances had to be settled. The Bank's interest in the empire did not extend beyond matters related to these concerns.⁷²

In 1953, the Bank advocated the greater use of colonial reserves for colonial development rather than new borrowing from the London money market.⁷³ The Bank was satisfied with a solution that authorized fiduciary issues as a means of releasing some sterling from the currency funds. The Bank saw this as a positive step, not least because in some colonies the Bank did not think that it was possible to maintain the full currency cover in the long run. At the same time, the measure contained a safety valve because the amount of the reduction was to be invested in local securities. This, moreover, reduced claims for borrowing from the London money market and created the first step towards local money markets.⁷⁴

By 1955–6, concerns within the Bank on the continuing high level of the colonial balances had resurfaced and had become more urgent. Towards the end of 1955, the Bank insisted on discussions with the Treasury on required changes in sterling area policy, as it had done in 1952.⁷⁵ The Bank's internal debate, in 1956, reveals that officials had few illusions that the colonial sterling balances had increased essentially as the result of import controls, dollar ceilings and marketing board policies. According to the Governor, Britain's gold and dollar reserves would be in 'queer street' had it not been for the contribution of the overseas sterling area.⁷⁶ But under changed circumstances sterling would be weakened by such 'forced' holdings of sterling. Concern with the balances prompted the Bank also to question the government's general fiscal and monetary policy, since a high Bank Rate had a bearing on the interest paid on the vast amount of balances.⁷⁷

In 1956, too, the Bank was demanding stronger measures with regard to colonial borrowing. This issue was again of primary concern for the Bank both in its own right and to prevent demands for loans from the Exchequer arising as an alternative to loans from the market. Moreover, certain established investment practices, according to the Bank, made disinvestment potentially hazardous. The Crown Agents now came under fire for intervening in the market for colonial loans through inter-colonial investment.⁷⁸ The Bank, in private, even held the view that there were no

remedies to improve the prospects for colonial borrowing. The Bank saw measures such as the trustee arrangements, which traditionally channelled investment from British institutions (trustees) into colonial stock, as out-moded and unsuited to the new multilateralism.⁷⁹

The Treasury's policy concerns were in many ways similar to those of the Bank, though there were differences in emphasis. The Treasury was also keen to restore sterling to convertibility. However, after the discouraging experience with the ROBOT scheme in 1952, it was more sceptical than the Bank that this could be achieved in the short term without the United States being much more forthcoming with financial support. The Treasury, therefore, opted for a more gradual domestic and international strategy.⁸⁰ Unlike the Bank, the Treasury was particularly concerned with the wider economic, not merely the financial, aspects of the colonial sterling balances in view of discussions on how best to achieve the desired British balance of payments surplus. Therefore, in 1953–4 it took a keen interest in the counter-cyclical role colonial balances could play in supporting employment in Britain during a recession in the United States. In sharp contrast to the previous period, this interest even prompted the Treasury to advocate the running of colonial balance of payments deficits under such conditions in order to reduce claims on Britain.⁸¹ However, this was by no means advocated as a measure that ought to be used to reduce the sterling balances under prosperous economic conditions.

None the less, the Treasury's Overseas Finance Division in particular increasingly worried about the colonial sterling balances. This was so not only because of problems with colonial borrowing but because of claims that were likely to arise from colonial dollar liberalization and might imperil a smooth move towards convertibility.⁸² However, the Treasury believed at the same time that the 1953 recommendations constituted a valid basis of policy, and pushed ahead with implementing them.⁸³ In marked contrast to the Bank, the Treasury's Overseas Finance Division held the view that 'non-resident' convertibility was a secure option, which allowed the existing pooling procedures in the sterling area to remain operational.⁸⁴ At the same time, in 1956 the Treasury, more than the Bank, still believed in the feasibility of very gradual changes in colonial monetary arrangements.

With respect to colonial borrowing, the Treasury, like the Bank, wished to step up capital exports as compared to domestic investment. Moreover, both aimed at redirecting capital flows away from the colonies towards other areas by reducing the soaring colonial claims for loans.⁸⁵ The Treasury's Imperial Finance Division maintained that CD&W allocations ought to depend on the prior use of available sterling balances.⁸⁶ The Division urged the Colonial Office to allow the colonies to dig deeper into their reserves and current earnings to finance development.⁸⁷ In 1956, in conjunction with the Bank, the Treasury insisted that further changes in colonial loan finance be made, and that even more self-financing

be promoted. Exchequer loans were no alternative. Moreover, the Crown Agent's practices would need to be addressed urgently.⁸⁸

Much greater discrepancies existed between these views and those held within the Colonial Office. While the Bank was little concerned with Britain's imperial link in its own right, the Colonial Office showed little concern about the broader requirements for sterling policy. The Colonial Office still set out from the assumption that there were no large free sterling balances, and no balances that should be freed. From the Colonial Office's perspective, the high level of the sterling balances reflected the very success of Britain's colonial development policy and of British aid. The funds within which the balances accumulated must be left untouched, with the exception of the development reserve funds. Fully covered currency funds were required to maintain the confidence of expatriate firms in colonial currencies. The marketing board funds served as a buffer against price fluctuation; government funds and high taxation were an additional buffer against colonial inflation. The Office mainly expressed concern in relation to the protection of the export trade in primary commodities and certain infrastructural projects related to it. This approach defended a particular relationship of the colonies with Britain, except that the purpose the Office championed no longer existed in the same way during Britain's move towards economic liberalization.⁸⁹

Britain's novel external economic policy flatly contradicted all that had been orthodox since at least 1939, and much of what the Colonial Office had assimilated about 'sound' finance and promoted as an educational ideal. Moreover, it was difficult to embark upon a course that smacked of a new marginalization of the colonies. In essence, the Colonial Office hardly represented the colonial development view as opposed to the view of British external economic policy. Rather, the Office exhibited a genuine lack of understanding of the macroeconomic issues involved and concentrated on the preservation of the colonies' traditional role for Britain. It would be mistaken to accredit the Office with any particularly shrewd and sophisticated development strategy to press for more development finance, or conversely imply that it was intent on exploiting the colonies.⁹⁰ The Colonial Office advocated much more cautious policies than did the Treasury and the Bank, which wished to disentangle wider external economic policy from possible impediments presented by imperial relationships. For the Colonial Office, economic liberalization under prevalent political circumstances in the colonies meant that it was imperative that existing monetary arrangements were not tampered with. Liberalization and convertibility would be too much of a temptation for colonial governments to embark on massive import policies. Any possible lack of discipline must be pre-empted.⁹¹ These strict views not only meant a drifting apart of the Office's position on the one hand, and that of the Treasury and Bank on the other, but also an increasing discord with administrators of

colonial states.⁹² This mattered in so far as agreed policy measures were not pursued as expeditiously as the Treasury and Bank would have wished.

Only the continuously increasing urgency of obtaining finance for colonial development from 1953, together with influence from the Bank and pressure from the Treasury and the colonies themselves, prompted the Colonial Office somewhat to shift from its inflexible position. For example, the size of the fiduciary issue was assessed with colonial governments. Some urgency was prompted by the possible implications of this issue to the allocations that would be pledged in the new CD&W Act in 1955. However, the Colonial Office circular of September 1954 merely mentioned the possibility of introducing a conservative fiduciary element of about 20 per cent or less, or none at all, according to local conditions.⁹³ Moreover, the Colonial Office continued to argue that there was little scope for drawing on the colonial sterling balances instead of engaging in new borrowing because of the purpose of the sterling funds and their territorial distribution.⁹⁴ On the whole, the Colonial Office remained lukewarm with regard to policy changes, and it is revealing that the Office took care that discussions were led between its officials and colonial governors with the explicit aim of circumventing unofficial members in executive councils.⁹⁵

Put crudely, the differences between the Treasury, the Bank and the Colonial Office were mainly related to the management of sterling and sterling area requirements, whereas the position of the Board of Trade reflects wider divisions within the British polity linked to different policy preferences of finance and manufacturing. British industry would rather have preferred that convertibility was either not introduced at all or considerably deferred.⁹⁶ The Board of Trade feared that convertibility would mean immediate non-discrimination, notably against dollar goods. An isolated move by Britain would mean increased competition for British industry from foreign imports. Even more worryingly, such a step might also mean discriminatory action from continental Europe, thus hitting British exports to European markets. Therefore, intra-European coordination was of the utmost importance.⁹⁷ However, the move towards convertibility was not influenced by these considerations, but largely determined by concerns of the Bank and the Treasury.⁹⁸

None the less, some of the Board's views found their way into policy in as much as they needed to be incorporated to make economic liberalization feasible. For example, Britain advanced her Free Trade Area proposal because she felt the necessity of pre-empting undue strain on the convertibility operation or even unleashing the disruption of liberalization. This need was recognized at least since 1954, and thus was no mere reaction to European developments.⁹⁹ During the period 1953–56, therefore, changes in British imperial policy also reflected the mounting necessity of attuning potentially divisive interests of competitive manufacturing with mainstream sterling policy, given that inter-industrial trade was becoming increasingly important.

6. Conclusion

Close economic interrelations existed between Britain and her empire in the late 1940s and early 1950s. In the period 1953–56, this relationship began to drift apart. This chapter has developed an argument about the implications of Britain's liberalizing external economic relations for her imperial relations. Policy-makers began to re-examine the feasibility of liberalization broken off nearly one decade earlier. Now, however, they were confronted with a problem writ large. Compared to the previous period, the reliance on colonial trade surpluses was no longer an easy option during balance of payments crises. Largely as the result of previous discriminatory policies, these surpluses had become a serious source of concern by 1953 because the level of colonial sterling balances had sharply increased. In view of the liberalization of trade and payments, a way had to be found of reducing these balances. At the same time, the impact of the reduction on a still weak British economy had to be controlled. The colonial sterling balances became an issue, not least because their withdrawal had an important political, not only an economic, dimension. This aspect has been omitted in recent research on the sterling area. The move towards liberal economic multilateralism, together with economic expansion on the periphery, carried the risk of an uncontrolled withdrawal of balances and undermined the functioning of Britain's established economic ties with the empire. Therefore, British policy was cautious in modifying imperial economic relationships. However, Britain created opportunities to reduce some of the accumulated colonial sterling balances, notably by introducing a fiduciary issue and by other measures. Changing priorities for capital exports also prompted the government to check flows to areas that were rich in sterling, such as the colonies, in a more rigorous manner. None the less, policy-makers wished to retain some discriminatory option which would allow them to rely on the empire during balance of payments crises. The present account has shown that the Bank of England and the Treasury dominated the debates on imperial policy and largely surpassed any influence exerted by the Colonial Office and the Board of Trade. The precise scope for Britain's manoeuvring in reconciling the needs of liberalizing sterling relations with established imperial policies depended not least on conditions on the periphery. The next chapter will discuss these aspects.

Appendix

(For an introductory note on the appendices, see Appendix to chapter 4.)

Table A.6.1 shows a selection of important data from the Treasury's 'Littler exercise' of 1955–6. This was the first systematic quantitative assessment of the colonial sterling balances at the sub-group level and at the level of different funds. The exercise surveyed the development of the balances over the preceding years.

Table A.6.1 Individual colonial sterling assets: official estimates related to the 'Littler Exercise' of 1954–55 (extract, £ million)

	Total Assets	Currency Reserves	Government Holdings:	
			General	Special
WEST AFRICA	506.7	132.1	123.4	79.7
Gold Coast	193.7	50.0	40.0	46.7
Nigeria	285.4	69.0	79.4	28.0
Sierra Leone	21.8	10.1	3.5	3.0
Gambia	5.8	3.0	0.5	2.0
EAST AFRICA	196.6	67.2	45.0	69.5
E.A. Rail and Harbours	18.2	—	7.0	11.2
Kenya	22.8	(—)	2.5	14.3
Uganda	63.7	(—)	25.0	34.7
Tanganyika	18.5	(—)	7.0	7.5
Zanzibar	5.9	(—)	3.4	1.6
Somaliland	0.3	(—)	0.1	0.3
Currency Board	67.2	67.2	—	—
MALAYAN AREA	363.6	125.6	123.1	41.2
Federation	66.5	(—)	41.5	25.0
Singapore	44.8	(—)	29.1	15.7
Brunei	39.7	(—)	39.5	0.2
Sarawak	11.3	(—)	11.0	0.3
North Borneo	2.0	(—)	2.0	-
Currency Board	125.6	125.6	—	—
Commercial Banks	73.7	—	—	—
WEST INDIES	119.3	23.3	10.4	37.4
Bahamas	22.1	1.3	1.2	1.0
Bermuda	10.5	1.3	1.4	1.3
British Honduras	0.6	0.4	-0.1	0.6
Jamaica	23.6	6.6	2.7	9.8
Barbados	9.6	1.3	1.0	2.3
British Guiana	12.2	3.4	0.6	6.2
Trinidad	39.5	9.0	3.5	15.1
Other West Indies	1.2	—	0.1	1.1
OTHER COLONIES	259.5	91.1	44.7	36.0
Hong Kong	131.9	49.6	33.3	1.3
Cyprus	25.5	8.5	4.6	1.8
Malta	59.8	22.4	0.2	16.9
Gibraltar	6.0	1.1	1.2	1.4
Mauritius	21.5	5.0	2.1	7.8
Fiji	9.9	4.2	1.4	4.2
Other	4.9	0.3	1.9	2.6
OVERALL TOTAL	1445.7	439.3	346.6	263.8

Source: CO 852/1577.

The 1953 Working Party on the sterling balances had focused on overall aggregates of funds, on the possible strain on the London money market from the balances and from new borrowing, and on a general assessment of the liquidity of colonial investment. As a result of the 1953 exercise, and particularly the 'Littler exercise' in 1955-6, British policy-makers gradually became aware of the levels of certain funds, notably general government reserves, and of regional distributions. Ultimately, this assessment was related to subsequent evaluations of the risk of the withdrawal of the balances, their availability for development, and their liquidity (see A.7.1 and A.9.1). However, it is important to realize that actual withdrawals also responded to a political logic. While the quantity of Nigerian holdings and risk-prone funds was higher, it was the Gold Coast that caused more concern among policy-makers because of the greater degree of political pressure being exerted there.

For an introduction and survey of the trends and technicalities of the sterling balances and their distribution in different funds and across different regions, see chapter 3.

Table A.6.2 is one of many documents listing Colonial Office demands for loans required for colonial development by individual territories. The data cover those three years of the period 1939-58 during which the market was the most receptive to new colonial issues. The list compares the loan requirements with the expected use of local resources for development.

The figures show that planned self-financing was considerable. However, the Colonial Office's demands hardly affected decisions by the Treasury and Bank of England. As a result, the self-financing of colonial development, which the Treasury and Bank of England preferred over lending, was ultimately even higher than the Colonial Office anticipated (see also A.8.2). A comparison with actual loans issued suggests that the Colonial Office assessed the demand for loans with little regard to their prospects of realization. For example, the Colonial Office included a demand for a loan of £20 million for the Gold Coast (for 1952-55), a territory which was not allowed to float a single loan during the entire 1947-58 period. This was so because Britain wished to maximize the Gold Coast's position as a net contributor to the sterling area. However, demands for loans were met with respect to Kenya and the East African High Commission (EAHC).

For a summary assessment of capital flows to the colonies during the period, see chapter 3.

Table A.6.2. Loan requirements and local development contributions of individual colonies, 1952-55 (£ million)

	Loan Requirements	Local Contributions to Development
EAHC		
Railways and Harbours	16.0	—
Posts and Telegraphs	7.0	—
Kenya	12.5	7.5
Uganda	10.0	35.0
Tanganyika	8.0	5.2
Northern Rhodesia	14.0	15.8
Nyasaland	8.0	3.5
Nigeria	13.5	27.5
Gold Coast	20.0	30.0
Sierra Leone	5.0	2.4
Gambia	0.5	0.5
Fed. of Malaya		
Singapore		
North Borneo	25.0	55.0
Sarawak		
Jamaica	5.0	5.6
Trinidad	3.0	5.0
Barbados	4.0	1.0
British Honduras	0.8	—
Cyprus	2.0	4.0
Mauritius	1.8	2.5
Fiji	1.0	2.5
Aden	0.8	0.4
Hong Kong	—	9.6
Miscellaneous (Windward Islands, Zanzibar, Gibraltar, etc.)	2.1	2.0
Total	140.0	215.0

Source: Colonial Office, 'Colonial Government Loan Requirements 1952-55', 5 Jun 1951, PRO T 220/637.

7

The Colonies, Politics and Economic Development: Britain's Liberalization Challenged, 1953–56

Britain's liberalization in external economic relations in the mid-1950s required policies that made the dismantling of trade restrictions and currency convertibility feasible without provoking instability. Britain was urged along the road towards liberalization by external factors, namely her rapprochement with Europe and the longstanding relationship with the United States. However, the local economic and social environment in the colonies was not conducive to Britain's liberalization in her external economic relations. The colonies might push Britain to travel too fast towards liberalization or be too slow in adjusting to it, or their intention to conduct expansionist economic policies might altogether sidestep British coordination in a liberalized sterling area. Moreover, institutional transformations in the colonies might heighten risks for the sterling area ensuing from the sterling balances. British colonial policy was influenced by perceptions of such risks, and attempted to steer clear of these constraints by evaluating their political dimension. The Gold Coast is the most relevant example for this strategy. The wider rationale of colonial economic policies emanated from Britain's reorientation in external economic relations. Political studies of the period abound. But the literature dealing with economic developments on the periphery is still relatively scarce compared to later periods. Moreover, studies of economic policy largely ignore the imperial context in which policy was formulated. The political dimension of these issues will be better understood if they are viewed as part of the wider sterling relationships of liberalizing Britain.¹

1. Colonial economies in a changing environment

Between 1953 and 1956, the environment of the international economy and economic organization affected Britain's management of the imperial sterling area in a different way from the preceding period. At the same time,

the requirements for British policy became markedly altered as a result of Britain's move towards economic liberalization. Meanwhile, independent academic opinion on peripheral economic development emerged, challenging the received views on colonial development.

During the period, the performance of the export sector of the most important colonial economies, namely Malaya, the Gold Coast and Nigeria, showed the following trends. Malayan rubber and sterling area minerals experienced a fall in price. However, this fall did not induce a persistent balance of payments deficit in Malaya, even if its balance noticeably worsened in comparison with the boom period at the beginning of the Korean War. West African cocoa developed in the opposite direction. In fact, the cocoa price reached its highest point since 1945 in the 1954-5 season. Consequently, colonial income from cocoa exports, for the Gold Coast in particular, was even higher than it had been during the previous period, and the potential for dollar earning and the accumulation of sterling balances was enhanced. It was for this very reason that such booms had given a welcome boost to Britain's balance of payments during the discriminatory management of imperial economies. However, by the mid-1950s Britain had abandoned discriminatory policies as a long-term strategy.²

During Britain's move towards greater liberalization in trade and payments, boom prices for colonial export commodities were a double-edged sword. On the one hand, any rapid deterioration in the price of colonial commodities constituted a potential burden for the self-financing of colonial development. In addition, a fall in price might jeopardize the cushion the empire was still able to provide for Britain's balance of payments crises. On the other hand, in sharp contrast to the discriminatory period, British policy-makers loathed excessive commodity price booms, since these entailed a further rise in the colonial sterling balances.³ The ability to reduce these balances was effectively under control due to the nature of the colonial monetary arrangements which tended to support their accumulation, and because of colonial economic policies regarding the marketing boards and the government reserve funds. However, this also meant that a reduction of the balances was difficult to achieve without modifying these arrangements. Yet, such modifications, in turn, might add to the very risks of a rundown of the balances and trigger expansionist economic policies in the colonies. This constellation posed a dilemma for British officials. The situation was critical with respect to the Gold Coast, and largely accounts for the crucial place this territory occupied in British policy in the mid-1950s.⁴

International provisions that earlier had permitted Britain to operate discriminatory management with respect to the empire by relying heavily on 'unrequited' exports remained valid between 1953 and 1956. None the less, pressures ensued from developments in international economic organization that struck at the core of established colonial economic arrangements. Britain's aim to direct colonial demands for loans away from the London

money market made it appropriate to solicit funds from supranational bodies, such as the IBRD. This ought to have provided alternative finance for projects of colonial and sterling area development as long as these schemes helped in substituting imports from outside the area or boosted sustainable exports to other regions.⁵ Yet, as it turned out, such finance also meant that Britain's running of colonial economies came under scrutiny from a body that could not easily be influenced by British government departments or the Bank of England.

The IBRD's principal concern was to assess whether its loans were expedient, and to secure the creditworthiness of its borrowers. Accordingly, the Bank's survey missions often touched upon the suitability of colonial economic and monetary arrangements.⁶ Central features of these arrangements suffered criticism. These included the currency cover and the quasi-exclusive currency reserves in sterling, as well as the perceived neglect of monetary management in colonial economic policies. The level of the sterling balances also came under scrutiny for its possible use in development finance.⁷ This went far beyond the priority that had been established by British government departments of seeking a reduction of the sterling balances before allocating new development loans.⁸ IBRD recommendations, it seems, embraced a role for central banking in colonial territories that conflicted with Britain's desire to preserve a sterling area closely affiliated to the British economy in monetary and financial matters.⁹

Two other sources potentially undermined Britain's established economic arrangements in the colonies in a similar way. The IBRD cannot be credited with advocating development policies, but rather with securing measures in tune with debt collection.¹⁰ However, independent academic opinion and the novel discipline of development economics began to influence thinking in and about peripheral states during this period. Representatives of the emerging discipline criticized the IBRD for giving inadequate regard to development and also attacked certain aspects of Britain's colonial economic policies, namely the import restrictions imposed upon prospering export-oriented economies. They also advocated a more active role for central banks in development activities.¹¹ Central banks had already become involved in development elsewhere in the former empire, such as the Reserve Bank of India's in agricultural and industrial credit operations, though admittedly in a rather different economic environment from the British colonies.¹² Many of these influences were still very tentative during the period. However, the mere discussion of such issues opened the door for considerations of possible alternative economic policies, and often raised expectations in that respect by affecting colonial political opinion.¹³

Another growing influence that undermined Britain's economic arrangements in the colonies were the American business lobbies. American entrepreneurs and, so the British alleged, the US government as well, encouraged governments on the periphery to foster trade with the dollar area, hold

reserves in dollars and use New York as their capital market.¹⁴ Ceylon is a good example of such developments.¹⁵ These changes, if they materialized, threatened the existing sterling area arrangements and thus the centrepiece of Britain's external economic strategy at the time. This problem was compounded by the fact that Britain needed external finance (which meant dollars) for sterling area development in order to compete successfully in the multilateral world to which she aspired.

2. Colonial socio-economic conditions and British liberalization

Britain's move towards the convertibility of sterling and trade liberalization had the potential of heightening pressures on British resources from claims of withdrawals of sterling balances and the likely increase of imports from the dollar area. Some socio-economic constellations in the key colonies eased Britain's move towards liberalization while others impeded it. Liberalization also modified Britain's requirements in terms of the structure of economies on the periphery.

Under liberalization, a deliberate accumulation of 'excess' sterling balances was not a desirable option. The liberalizing sterling area required the colonies to spend their accumulated funds without undermining the control function of colonial economic institutions and producing undue inflationary pressures at a time when only a limited degree of imports for dollars was acceptable.¹⁶ Boosting colonial export performance by securing regular supplies of colonial produce became less important for Britain than monitoring the use of accumulated surpluses. This was a burden Britain owed, at least in part, to earlier discriminatory policies in the empire. Britain was particularly concerned about the huge colonial sterling balances of Malaya, the Gold Coast and Nigeria, whereas no undue further claims were expected to come from the independent sterling area, which had already liberalized trade to a considerable degree.¹⁷ The reduction of sterling balances was potentially more difficult in certain areas than in others and was complicated by the purpose of the individual funds in which they were held. For example, the reduction of marketing board funds might compromise the purpose for which, officially, they had been accumulated. Moreover, it would involve a tricky process of negotiation with representatives of local producers, especially in West Africa. However, in other territories, such as Malaya, the control of the balances was facilitated by the fact that export earnings were decreasing.¹⁸

In its liberalizing phase, imperial policy required an economic structure that was more diversified and less export-oriented than it had been during the period of discriminatory management, while basically retaining the same trade orientation. In this way, volatile colonial export earnings would not put undue pressure on the payments arrangements of the sterling area

as a whole. Moreover, it was desirable to promote economies with more developed financial markets than existed in most colonies. Creating such conditions would result in more of the surpluses remaining in the peripheral economy, thus reducing the demands for loans on the London market. Inflationary pressures would not be directly transferred to Britain because of the growth of the domestic sectors of peripheral economies. This was the ideal; it was, however, not readily available.¹⁹

The smooth adjustment of the capital side of the empire's balance of payments hinged on social and political pressures within the colonies. On the face of it, Britain's move towards liberalization conveyed the impression that the government was preparing to ease the colonial predicament of the discriminatory period. Imports from the dollar area would increase in the long run. Current earnings might become convertible at a future date. Furthermore, colonial governments could present cosmetic changes, such as the introduction of central banks, as measures of economic liberalization and financial devolution. Thus, it might appear that local opinion could be appeased more easily. In reality, new social and political constraints developed and old ones increased. The relaxation (albeit gradual) of import controls on consumer goods was welcome among the urban population. However, to be successful, British policy also needed to block aspirations commonly associated with liberalization, such as large-scale capital transfers towards hard currency areas.²⁰ The periphery had to be prevented from moving towards the dollar for trading and reserve purposes.

In the Gold Coast, pressures for a move towards using the dollar continued to rise, not least prompted by dollar restrictions in the past.²¹ Moreover, pressures further increased from cocoa producers who became potentially powerful allies of the export-oriented indigenous business sector. This group had posed problems for Britain during the discriminatory period because of its grievances about inadequate credit facilities for which they put the blame on sterling area policies, wanting development policies and colonial monetary institutions.²² In Nigeria, the situation seems to have differed because the relevant economic forces were politically aligned with regional interest groups. This led to a certain lethargy about economic development in the bureaucracy, and to the impression that financial resources were adequate to meet required development needs.²³

In Malaya, unlike the Gold Coast, there was relatively little conflict between the ambitions of local entrepreneurs and Britain's sterling area policies. However, during the 1950s a new trend became apparent in Malay rubber growing that was to characterize developments in the 1960s and 1970s. Smallholdings were undergoing a gradual transformation towards commercial entrepreneurship and increased in size. Emerging entrepreneurial groups in the colony in rubber and light industry competed successfully with the expatriate firms. Moreover, by 1954, more than half a million Chinese had been resettled (almost twice the amount originally envisaged)

at a cost of about \$100 million. The areas of resettlement were also the main areas of rubber cultivation and tin mining. Therefore, some emerging lobbies touched on matters of import policies and development finance. Groups with a vested interest in reorienting Malaya's external economic policies away from traditional sterling area policies were in the making.

In Kenya, by 1956, Mau Mau revolt had come under control after the big military offensive of 1954. However, British concerns about a stable Kenya persisted. Moreover, commercial agricultural entrepreneurs based in Kikuyuland continued to gain strength and began to get a hold on the colonial economy. Given the range of produce of these enterprises and their import and development propensities, the country fitted increasingly uncomfortably into the sterling area and particularly into any kind of free trade arrangements that might include the colonies.²⁴

3. Colonial politics, institutions and economic liberalization

During economic liberalization, the colonial state continued to play a key role in executing British policy designs. However, Britain's relations with colonial states were different from those during the discriminatory period, and local politics impacted on colonial economic institutions and policies in a modified way. The colonial state was no longer at the core of a centralized operation of physical controls for managing 'unrequited' exports. British policy-makers hoped that the empire would return to quasi-self-reliant gradualism in economic development. The colonial state ought not to initiate a development drive in commodity production, as had been advocated by Labour.

Industrialization, so cherished by many political activists on the periphery, was not an aim of imperial policy either. However, the colonies that were holding excess amounts of sterling might provide useful markets for Britain during a future recession in the world economy. Colonial governments found themselves confronted with the delicate task of adjusting imperial economic relations to a liberalizing sterling area without provoking fundamental changes in monetary arrangements and a large-scale liberalization in colonial trade, with the dollar area in particular.²⁵

From the British perspective, colonial economic institutions ought to change only in so far as they had to accommodate modified objectives. Economic multilateralism must not lead to large-scale reforms of economic institutions in the colonies because Britain needed to control the colonial balances. For example, as previously, the West African marketing boards effectively immobilized funds, thereby cushioning inflation. But now surpluses had to be reduced and the accumulation of these funds had to be checked. The boards could even channel some of their funds towards development uses.²⁶ This implied that the colonial state needed to provide a political framework within which the marketing boards could be administered in

such a way as to achieve development goals. At the same time, Britain needed to control the eagerness of unofficial majorities on the boards from getting out of hand, and from yielding to mounting demands from their supporters.²⁷

Similarly, by 1954, the running of the currency boards had become an issue for colonial governments in certain major territories. The introduction of fiduciary issues required the management of an embryonic money market. This question became linked to a debate over the role of central banks on the periphery. Central banking had been envisaged as a move that might help to boost the prestige of British policy without changing the basic colonial currency mechanism.²⁸ Colonial governments needed to create the framework and climate for a move towards 'central banking' without losing control of the management of a local currency. To fit Britain's liberalizing policies, central banking in the colonies merely amounted to advocating the continued pegging of colonial currencies to sterling and the quasi-exclusive holding of reserves in sterling. Moreover, central banks should control the introduction of fiduciary issues, a modern money market and existing financial institutions. At the same time, these banks should abstain from interfering in markets, for example by supporting the issuing of loans, and steer clear of development initiatives.²⁹

The transformation from the discriminatory to the liberalizing imperial relationship was not easy due to various economic factors in the colonies. In the face of rising requirements for development finance, the colonies suffered more and more from cuts in colonial borrowing, which were far from being compensated by development finance from outside the sterling area. Moreover, the availability of capital goods from Britain was still limited, while the degree of access to external markets was insufficient.

For the British, the political and ideological situation in the empire became more precarious, too. The gradual widening of political participation was not reversible in the important colonies. But excluding or minimizing local participation in specific areas remained as crucial as it had been for the discriminatory management of the empire earlier. Moreover, the 'common cause' argument, used during the discriminatory period, was no longer readily applicable. For example, it was difficult to impress unofficial majorities in legislative assemblies and on the marketing boards with the argument that some colonies were so rich as not to need any development loans, while also arguing that they should not use a sizeable part of their accumulated resources.

None the less, for the time being political reform was popular and acted as a surrogate for changes in the economic realm. On the whole, Britain succeeded in retaining the allies needed during her adjustment to economic liberalism. These allies were, as during the discriminatory period, those political and socio-economic formations that would not challenge the established monetary and financial arrangements unduly or urge rapid

economic expansion. However, attempts to influence local politicians had now to compete with views advanced by the IBRD's survey missions and with independent academic observers, who were often sceptical about colonialism.³⁰ In the long run, strains on colonial economic institutions and policies were bound to increase because the economic liberalization desired by the periphery was not the same as that implemented by Britain.

In the Gold Coast, the situation within the Cocoa Marketing Board became increasingly difficult for the British in political terms. The Gold Coast's requirements for development finance had steadily increased since the late 1940s, whereas her ability to obtain loans from Britain remained as limited as before. Demands for using marketing board funds for a wide range of large-scale development projects mounted. If granted, they might prove risky because a rapid reduction of funds might increase financial pressures on Britain. The situation was aggravated by the cocoa boom of 1954–5, which meant that sterling balances soared even further, making their controlled reduction even more expedient. Meanwhile, the Ashanti cocoa growers complained about continuously low producer prices, and also urged that marketing board funds be used for development in their own region. The challenges to the Nkrumah government from the cocoa-growing regions of the country, therefore, became manifestly more serious as the 1950s wore on. In 1954, these interests had organized themselves in the Ashanti-based National Liberation Movement (NLM).³¹

None the less, in the mid-1950s, both the grievances of the cocoa growers and of indigenous export entrepreneurs remained veiled and had little impact on the political course of the colony. The Convention People's Party's (CPP) success in the 1954 elections pulled the rug from under the United Gold Coast Convention (UGCC). Its leader, Danquah, failed even to be re-elected to the Legislative Assembly.³² The British were also fortunate that the government of the Gold Coast was careful in the mid-1950s not to stir up further debates on an independently managed currency or to complicate a possible regionalization of the currency boards. The fiduciary option remained practically unused.

In Nigeria, the political situation was less acute. In the critical field of central banking, the British were unexpectedly assisted by the constitutional debate that focused on the distribution of regional powers in a federal Nigeria. The recommendation by the IBRD mission of 1953 for establishing an independent central bank, was not exploited by local political activists, as had been feared. The regions now had little interest in a centralized institution such as a central bank. Nevertheless some problems remained: moves towards reducing Nigeria's substantial sterling balances were largely unresolved, and the Nigerian government had welcomed the 20 per cent fiduciary option for the currency funds.³³

In Malaya, the colonial government was subject to political pressures of a kind that affected the sterling area less directly than in the Gold Coast.

However, during the period a consolidation of socio-economic formations related to rubber production and light industry in political parties occurred, mainly along ethnic lines. The Malayan Chinese Association and the Malayan Indian Congress represented such interests in ethnic communities which by that time had begun to seek political advancement within Malaya rather than in their countries of origin. As for the ethnic Malay smallholders, UMNO had become a formidable political force by the mid-1950s that increasingly needed to accommodate the aspirations of its business-minded constituency.

The colonial government made plain to London that certain changes needed to be made to accommodate Malayan economic development to reduce potential challenges from the indigenous and Chinese business communities. For example, dollar liberalization for capital goods was now strongly advocated and was deemed necessary to stimulate Japanese and American investment. The economic department in Malaya felt that Malaya's dollar earning justified the change.³⁴ Debates on central banking and monetary matters were influenced by the IBRD report on Malaya of 1955.³⁵ However, Malaya had incurred losses by transferring her currency funds from short- to long-term securities. One well-informed observer expected her, therefore, to be wary of making use of the fiduciary element.³⁶ Yet, much depended on whether future requirements for Malayan borrowing would be met.³⁷

In Kenya, pressures on the colonial state differed markedly from those in West Africa and Malaya. Kenya had a more developed money market, which could meet some important local needs; demands for a central bank and for an independently managed currency were virtually absent. In these respects the territory was more suited to Britain's new plans for a liberalized sterling area. In fact, the orthodox colonial currency board had only just become fully established in East Africa in the 1940s after the debates of the interwar period.³⁸ In the aftermath of the First World War the white settlers in Kenya had urged Britain to change the exchange rate of the Kenyan currency.³⁹ However, one might speculate that the basis for further protest of this kind was absent in the 1940s and 1950s, since the settler economy did well during the Second World War.⁴⁰

None the less, factors that made Kenya a doubtful member of the sterling area prevailed. The Kenyan government wanted a considerably larger fiduciary issue for development purposes. The government also pressed for more loans from London as an alternative to a further extension of the fiduciary issue: loans were indeed forthcoming for Kenya, even when they had been virtually suspended elsewhere.⁴¹ The country was also much less concerned with maintaining restrictions of imports from the dollar area. The British continued to reject a political deal with the KAU not only because of concerns about stability and due to Fabian development doctrine, but also because the party's power base among the Kikuyu entrepreneurs did not

correspond to British ideas of organizing economic relationships in the Commonwealth and the empire.

4. The colonial policies of Britain's economic liberalization

During the period of cautious economic liberalization, Britain attuned her policies in trade, economic development, development finance and monetary arrangements to the key priority of controlling the reduction of colonial sterling balances. British policy within colonies was less clear-cut and less centrally executed than it had been in the discriminatory period. Policies needed to be more adaptable to the changing social and political conditions within individual colonies. British policy-makers (assisted by British representatives within colonial governments) evaluated the feasibility of specific measures and assessed the risks in economic and political terms.

The chief measure aimed at reducing the colonial sterling balances was, from 1954, the fiduciary option. This modest change in the operation of the currency boards was adopted to various degrees in different colonies.⁴² Moreover, in the mid-1950s, representatives of the Bank of England aimed at increasing the liquidity of currency board funds as part of a policy that encouraged the gradual spending of colonial balances. This attempt met with varied success, too. The West African Currency Board (WACB) had moved only slowly in this direction even by 1956; whereas the East African Currency Board had gone rather further.⁴³

Entwined with the policy regarding the colonial sterling balances were long-term changes in the provision of colonial loan finance. In certain colonies, the government cautiously encouraged the emergence of a local security market by channelling parts of surplus funds into local government securities.⁴⁴ British government departments urged the colonies to examine the greater use of locally available financial resources to achieve further cuts in development spending. This prompted an increased search by colonies for alternative financial sources from the IBRD.⁴⁵ Meanwhile, the Colonial Office, together with colonial governments, pressed for the strengthening of provisions of British trustee investment in order to secure development finance for the main colonies. The aim was to keep this issue separate from constitutional developments in the colonies by continuing the so-called trustee status for colonies even after formal independence.⁴⁶ Eventually, the Gold Coast became the test case for successful colonial borrowing by territories with a high degree of political participation.⁴⁷

In the crucial monetary realm, British policy-makers took care not to embark upon a move towards 'fully managed' currencies. In West Africa, officials prepared for the establishment of local currency boards. Preparation included plans for colonial central banks and in some cases, such as the Gold Coast, the introduction of local currency notes. But this policy

merely transferred the WACB from London to the colony. The Gold Coast would have its own Bank of Issue, but it would not 'manage its own currency'.⁴⁸

In the administration of funds other than the currency funds in which colonial sterling balances accumulated, policy resembled that of the preceding period. The policy of the marketing boards towards producer prices remained conservative, at least in the Gold Coast. However, in West Africa, some of the marketing board funds were invested in development projects. Development funds were increasingly used to finance local development. However, government reserve funds continued to be inflated as a result of persistently high taxation.⁴⁹

Between 1953 and 1956, Britain was preoccupied with colonial capital relations. However, colonial trade management still mattered with respect to the opening of dollar imports, which was seen as a slow gradual process. Formidable import restrictions persisted, not least due to the cocoa boom of 1954–5. When, in 1956, the orientation of British policy towards Europe became defined in relation to the Common Market and the Free Trade Area, policy-makers became concerned about political instability that might be caused by a visible marginalization of the periphery.⁵⁰ The British attempted to assure the colonies that Britain's association with a free trade area in Europe would not have an adverse effect on colonial development prospects. None the less, the British were worried that colonies with emerging manufacturing interests, such as Hong Kong and possibly Kenya, might wish to join a free trade area before too long.⁵¹

British policy in the above fields was also influenced by the perception of the political evolution in the main colonies. Policy-makers took great care to ensure that constitutional issues were discussed separately from economic ones and did not impede existing economic arrangements.⁵² The British considered the political risks to be the most serious in the Gold Coast. Nigeria was doubtful because of a possible spill-over from developments in the Gold Coast.⁵³ However, the federalism debate of the mid-1950s, and, ironically, the banking scandal of 1956 diverted attention from matters that worried the British rather more.⁵⁴ The Gold Coast was the priority also because of constitutional changes towards independence envisaged for the end of 1956. In Malaya, debates about the complicated relationships between the Malay territories and Singapore diluted, rather than strengthened, pressures on Britain, and Britain continued to rely on its alliance with Malay nationalists represented by UMNO.⁵⁵

The British tackled the situation in the Gold Coast as follows. By the mid-1950s, the general policy approach in West Africa had shifted towards ensuring the suitable form of 'management' of local currencies by 'central banking' instead of obstructing such a move altogether.⁵⁶ Accordingly, British colonial officials and policy-makers in London continued to support Nkrumah and the CPP. When, in 1954, the party followed the UGCC

in demanding a central bank in its election manifesto, it did so in a form that was attuned to British demands. The Gold Coast Cabinet had agreed not to question the territory's future participation in the sterling area, the full currency backing (with the prospect of a gradual and slow reduction), and the general maintenance of the link with sterling.⁵⁷ Not surprisingly, the British welcomed these decisions,⁵⁸ which followed earlier British advice to the Nkrumah government on how it should tackle critical questions on currency matters raised by the opposition in the Legislative Assembly.⁵⁹ Even so, one can occasionally find dissenting views among colonial government advisers which showed less regard for Britain's sterling relationships. Some advisers, for example, thought that a deliberate phasing in of an independent monetary policy might be expedient for the future development of the Gold Coast economy.⁶⁰

The British also made considerable efforts in 'personal engineering' to get the appropriate provisions on the statute book for a Gold Coast Bank of Issue. An adviser from the Bank of England drafted the statutes for this bank.⁶¹ The Gold Coast Finance Minister was strongly advised to follow the suggested course.⁶² Britain's Colonial Secretary assured the Governor of the Bank of England that he personally would see to it that the Gold Coast carried through the Bank of England's advice.⁶³ These activities went far beyond simple counsel on technical matters. They reflect partisan concerns about the smooth adjustment of policies on the periphery to British requirements. Such attempts at engineering political developments went along with public relations exercises that aimed at explaining the advantages of the sterling area, notably to the Gold Coast government.⁶⁴

5. Specific problems in colonial adjustment

Britain's broad design in external economic policy largely accounts for the rationale behind colonial economic policies. However, in implementing those designs Britain met with specific problems in the areas affecting colonial economic institutions, and especially the management of the sterling balances. These problems also explain, in part, why political constellations were so important to policy-makers.

The measures Britain took to maintain established colonial financial and monetary relationships were prompted by a twofold concern. The first apprehension lay with the claims that would 'naturally' result from Britain's move towards liberalization in trade and payments. These arose from increased dollar imports and withdrawals of free sterling balances. Such claims might well be a burden that the British economy could not endure without the continued cooperation of the colonies.

The second apprehension was that governments on the periphery might adopt imprudent liberalizing policies and thus further expand these 'natural' and expected claims. This could result from raising producer prices,

decreasing taxation, stepping up imports from the dollar area at the expense of sterling imports, or from demands for a larger reduction of the currency cover and the local accumulation of foreign currency reserves in dollars and gold. Until 1956, the British perceived the danger from such policies still to be fairly remote. None the less, they considered it to be expedient to anticipate political developments that might encourage such moves.⁶⁵

With regard to the control of the colonial sterling balances, the Treasury embarked upon a risk assessment exercise in 1955–6.⁶⁶ One part of the investigation indicated how far and how quickly Britain could move towards liberalization and where she had to manoeuvre carefully in colonial economic policies. The other part provided an indication of how important it was to control institutional changes. Even without taking into account the political risks that might result from radical changes in the West African colonies or Malaya, cautious political manoeuvring in these colonies was deemed necessary to protect policies in the financial and monetary field.⁶⁷

The British were most anxious about colonies where the greatest political demands had arisen for the withdrawal of 'untied' colonial sterling funds, or where possible changes in the very definition of expandable funds had the potential drastically to increase claims on Britain.⁶⁸ This was the case with regard to the government reserve funds, the marketing board funds and part of the currency board funds in the Gold Coast and to a certain extent Nigeria. To a lesser extent this applied to the government reserve funds and part of the currency board funds in Malaya. None the less, the British had to encourage certain changes if they wanted in the long run markedly to reduce the holdings of sterling balances by countries such as the Gold Coast. What the British needed in the Gold Coast, Nigeria and Malaya were policies that enabled balances to be drawn on as and when London saw fit. What the British needed to regulate above all were the institutional changes that facilitated such moves. Therefore, even as late as mid-1954, the Colonial Secretary was determined not to have African representatives on the West African Currency Board.⁶⁹ The preoccupation of British policy with the balances of large holders also explains why, in contrast to the preceding period, East Africa and the West Indies hardly figured in policy debates on these issues.⁷⁰

None the less, the problem soon appeared to be that the British were rather unsuccessful in reducing colonial balances and perhaps also too hesitant in making reduction feasible. The fiduciary issue, for example, was of some importance in that respect. However, in West Africa, where fiduciary issues might have helped to reduce substantial balances, the option was hardly used. It was argued locally that such a step would complicate the establishment of territorial currency boards.⁷¹ By 1954, the establishment of territorial boards had become widely regarded as unavoidable in the

long run, or even as a suitable tactic in the face of local political as well as international pressures for economic self-government on the periphery.⁷²

The territories that took to fiduciary issues with enthusiasm also posed problems for Britain. In Kenya, one danger was that an expansion of the fiduciary issue, which was later conceded,⁷³ would undermine orthodox colonial monetary arrangements; another was that demands for alternative finance would increase rather than reduce pressures on the London money market. Similarly, increasing the liquidity of the currency funds enabled the currency boards to meet the level of withdrawals that would be forthcoming when sterling balances were reduced. However, where implemented, greater flexibility also dismantled a barrier against withdrawals.⁷⁴

Policy towards the other big colonial economic institution, the West African marketing boards, can also be interpreted at the macro-level. One complication related to debates among development experts about the state's role in the marketing of commodities, and the implicit role of the marketing boards in the running of colonial economies.⁷⁵ Officially, the marketing board funds were to operate as buffer funds, designed to accumulate funds during boom prices for commodities on the world market, and to release funds to support producer prices during a slump on the world market. However, it proved increasingly difficult to argue why producers should not profit from permanently higher world prices. Moreover, as the most prominent critic held, the income of producers was not stabilized because of the decreasing output volume. Therefore, cocoa producers in Ashantiland launched criticism against the way the marketing boards operated because producer prices were kept fairly low even after several years of a solid world price. The British, however, were wary of the inflationary and expansionist effects of higher producer prices and their repercussions on the sterling area.

Another, perhaps even more important, problem related to the link in British policy between a reduction of the sterling balances and the allocation of development finance, and had a strong political connotation. The marketing board funds officially accumulated in the interests of the producers. The expropriation of funds for their use as development finance at the territorial level was troublesome. The government relied on taxation as a politically more acceptable means to tap marketing surpluses without direct interference with the boards. One strategy used to dodge the political conundrum of employing marketing funds for general development goals was a high export duty, siphoning off the margin above a certain world price. The boards' role in protecting the producers from the international firms may have eased political tension. However, the accumulation and even more so the expropriation of the marketing board funds was politically explosive.⁷⁶

Pressures for additional development finance were a serious concern for the British. Such demands could be rejected in West Africa with reference to the sterling balances, but posed a problem in Kenya. Even in West Africa,

the continued *de facto* stop on London loans was unlikely to diminish the lobbying for credits and monetary changes among the indigenous business community and the Ashanti cocoa growers in the Gold Coast.⁷⁷ Alternatives, however, such as loans from the IBRD, implied an assessment by the IBRD of the colonial economy in question. The British viewed this development with anxiety, even if they preferred it to possible IBRD investigations of the British economy. Moreover, the IBRD required Britain to act as the ultimate guarantor of the Bank's colonial loans. The British agreed to this request, though very reluctantly.⁷⁸ To some extent, the British found themselves cornered between the monetary and financial requirements of their own policy designs and the 'monetarist' colonial economic management advocated by the IBRD.⁷⁹ The former responded to sterling area needs and priorities in Britain's external economic policy, while the latter was more directly concerned with meeting debt-servicing objectives. The IBRD placed greater emphasis on active colonial monetary management, including exchange rates. However, both approaches did not amount to an overall strategy of peripheral development.

Particularly unsettling for the British were the recommendations of survey missions of Nigeria and Malaya by the IBRD; some passages of these reports encouraged moves towards the local management of currencies.⁸⁰ British officials considered such recommendations to be dangerous in view of the volatile political climate in certain colonies. The Bank of England wanted future terms of reference for IBRD missions to be drafted in such a way as to disallow comments on the colonial sterling exchange standard.⁸¹ However, the Colonial Office warned of the political repercussions such a measure might have in the colonies concerned. Therefore, the Office agreed with the Treasury to foster informal influence as an alternative.⁸² For example, the Bank of England attempted to informally influence the author of the IBRD report on Malaya before its publication.⁸³ Likewise, with respect to Nigeria, the follow-up investigation by the Bank of England, prepared in 1956, explored the recommendations of the IBRD in a purely formal way. In reality, this mission was intended to pay 'lip-service' to the recommendations, and was a tactical move to appease local public opinion while moving local policy in the 'right' direction.⁸⁴

In a similar fashion, the Bank of England and the Treasury backed the Gold Coast government in fending off claims from the commercial Bank of the Gold Coast, founded in 1953.⁸⁵ The director of this bank had the unwelcome ambition of encouraging demands for independent monetary management, defying the doctrines that underpinned Britain's external economic policy.⁸⁶ His ambition might have been inspired by a concern to promote a more active development policy in the territory. This course implied public discussion of conditions of local borrowing, the collateral required, and guarantees against the devaluation of securities as a way of stimulating the market.

In spite of these problems, in mid-1956 the British still remained confident that constitutional changes, including the move towards an independent Gold Coast (scheduled for 1957), would not affect the country's fundamental relationships with the sterling area. Claims on British resources that would arise were thought to be manageable as long as the Gold Coast government pursued what the British considered to be 'responsible' policies. The British willingly yielded to the Gold Coast government's wish to introduce its own currency as long as it remained merely an expression of national prestige and did not involve an independent monetary policy.⁸⁷ Britain's assessment of potential political threats in Malaya and Nigeria showed even less concern than in the case of the Gold Coast. This perception, however, was soon to change.⁸⁸

6. Conclusion

This and the previous chapter have shown how and why the relevance of the colonies to Britain lessened between 1953 and 1956. Moreover, the present chapter has developed an argument about the logic of Britain's colonial policies as part of her wider external economic relations, notably with regard to colonial monetary arrangements, loan finance, and the marketing boards.

Britain's foreign economic policy shifted towards the liberalization of trade and the convertibility of sterling. The Conservative government held the view that continuing trade discrimination and the inconvertibility of the pound would in the long run do harm to sterling's international role and thus also to the British economy. In addition, developments on the continent of Europe suggested a serious reconsideration of Britain's European relations. Significantly, by this time Europe had joined the United States as the most important market for the competitive sectors of British industry.

Previously, Britain had been interested in boosting certain types of commodity production in the colonies as a means of supporting the sterling area. During the liberalizing period, discriminatory management gave way to the monitoring of claims on the British economy. Under liberalization, these were likely to arise from withdrawals of colonial sterling balances. Moreover, important colonies were not expected to continue to forgo spending on development of considerable parts of their current surpluses with the dollar area. If they did, colonial claims for development loans would soar. Consequently, British policy aimed at reconciling the established imperial economic relations with liberalization. This was no easy task.

From 1953 strains on the orthodox colonial financial and monetary arrangements mounted, and Britain had difficulties ensuring that demands by economic and political formations on the periphery conformed to adjustments she needed to make for a liberalized sterling area. Changes in

monetary arrangements, designed to allow a gradual reduction of colonial balances and to unburden the London money market, all too easily developed into a debate about independent colonial monetary policies. In addition, demands for the local accumulation of dollar and gold reserves grew. The colonial governments' dollar-saving propaganda of earlier years gave the dollar added importance in the eyes of the public. Colonies also required more capital goods from dollar sources for development purposes. The general legacy of colonial dollar earning, too, acted as a strong stimulus of such demands. These various elements implied the gradual erosion of the colonial sterling standard, the very basis of the economic link of the empire with Britain.

None the less, British policy-makers thought that they would be able to cope with these problems. They trusted their ability to influence colonial politicians and to direct colonial policies into channels they deemed acceptable, irrespective of concessions towards wider political participation in the colonies and, ultimately, independence. But structural contradictions between the established colonial economic arrangements and Britain's liberal policy designs rapidly became better understood. A dilemma loomed, among others, in the field of development finance, and also affected the long-term solution of the problem of the sterling balances and the settlement of sterling area trade. These issues, as we shall see, eventually broke open in the aftermath of the Suez crises early in 1957. By that time, British policy-makers had good reason to doubt their prowess in regulating increasingly assertive state structures on the periphery.

Appendix

(For an introductory note on the appendices, see Appendix to chapter 4.)

Table A.7.1 summarizes the risk assessment made by the British Treasury in the mid-1950s with regard to the withdrawal of colonial sterling balances. The assessment evaluated the potential burden on British resources.

The results are based on an assessment of the risks of withdrawals from different types of funds, which had previously already served as the basis of an ad hoc evaluation of risk by policy-makers, and thus links up with the problem of expandable/ 'excess' balances (for which see chapter 3 and A.9.1). Originally, only government funds and funds earmarked for development were considered to be expandable. Then, however, exercises began to include in their evaluation an additional margin of a reduction of currency funds of up to 20 per cent, and some reduction in marketing board funds (in certain territories). However, no large reduction in currency funds was expected. The exercises first assumed no sudden withdrawals, but then assessed the 'worst-case scenario', that is, expansionist economic policies on the periphery and expected withdrawals, even if such policies incurred considerable losses in a territory's investments. By 1958, the official assessment again had changed in so far as a further reduction of currency funds was deemed likely. However, it also appeared that Britain would not be faced with a sudden withdrawal by several of the major holders

Table A.7.1 Risk assessment of major holders of colonial balances: the 'Littler Exercise', 1955-56 (simplified: no assessment of fund categories) (£ million)

	No Change in Policies* Reduction in 5 Years**	'Irresponsible' Policies within Sterling Area	Leaving of Sterling Area
Ghana	60	160-180 (over more than 3 ys.)	160-180 (suddenly)
Nigeria	90	240-270 (over more than 3 ys.)	240-270 (suddenly)
Malaya/ Singapore	90	190-240 (over 2-3 years)	190-240 (suddenly)
Colonial Total	250		

* Assumptions:

- (1) Continuing modest increases in national income.
- (2) Continuation of depressed commodity prices.
- (3) Territories remain in the sterling area.
- (4) 'Responsible' policies: gradualism in development.

** Assumption: uses of 20 per cent of fiduciary issue will not occur at the same time as full uses of government reserve funds due to logistic development constraints.

Source: Top Secret Treasury Memorandum [Littler], 'The Patter of Colonial Sterling Assets and United Kingdom Sterling Liabilities to the Colonies', Mar. 1956, T 236/4253.

of colonial balances at the same time. Withdrawals would be drawn out over a certain period, largely determined by a territory's economic policy, various developmental constraints, and the fact that holders did not wish to incur losses of investment that had not yet reached maturity. None the less, the propensity of holders of balances to disinvest also determined British concerns about the liquidity of investments by (former) colonies (see chapter 3). Had the 'Littler exercise' been proved right, Britain would have been hard-pressed to cope with demands stemming from the withdrawal of balances, even under conservative expectations.

Table A.7.2 shows the emphasis that policy exercises in the second half of the 1950s put on the territorial evaluation of sterling assets (of Ghana and Nigeria in particular) and on the evaluation of different types of funds.

This assessment, together with an evaluation of the political situation in various territories, constituted the basis of the risk assessment presented in Table A.7.1. The table reveals one of the principal, and for policy-makers worrying, findings of these exercises: the considerable increases in government general reserve holdings in the two territories. A general assessment of this issue can be found in chapter 3. However, no systematic assessment of the maturity structure of the investment portfolios of these territories was carried out. Here, the assessment for the colonies as a whole, evaluated for the 1953 Working Party on Colonial Sterling Balances, remained the main source. In addition, as a matter of urgency, ad hoc evaluations were made by the Bank of England in 1957-8, which insisted that the Crown Agents restructured the portfolios under the Bank's supervision (see chs. 8 and 9).

Table A.7.2 Ghana and Nigeria: changes in the composition of sterling assets, 'Littler Exercise' (1955-56) and Bank of England assessment (1954-57) (£ million)

	1955 Exercise			Bank of England			
	1952	1953	1954 (estim.)	1954	1955	1956	1957
GHANA							
Currency Reserves*	42.5	42.3	44.0	40.9	41.6	40.7	36.3
Bank Assets	6.6	9.2	11.0	10.6	13.8	11.9	11.3
Marketing Board	53.0	57.6	65.6	58.1	53.8	40.2	41.3
of which							
securities	40.4	41.4	36.6	36.5	36.8	36.8	36.8
UK bank funds	12.6	16.2	29.0	21.6	17.0	3.4	4.5
Government Assets	41.0	47.8	67.5	78.9	89.4	86.3	78.3
Total	143.1	156.9	188.1	188.5	198.6	179.1	167.2
NIGERIA							
Currency Reserves ^x	57.6	60.8	66.5	56.6	63.2	67.1	69.4
Bank Assets	13.6	14.3	17.5	22.2	15.3	9.1	2.2
Marketing Board	64.3	66.5	79.0	84.5	79.1	48.6	50.7
of which							
securities	69.3	68.5	67.5	68.0	76.6	52.0	47.4
UK bank funds	-5.0	-2.0	11.5	16.5	2.5	-3.4	3.3
Government Assets	64.5	80.3	112.7	93.9	98.1	126.8	119.4
Total	200.0	221.9	275.7	257.2	255.7	251.6	241.7

* Share on basis of net currency issue.

Source: T 236/4776.

Part IV

Separation: Britain, Empire and the Return to Multilateralism, Towards 1958 and Beyond

8

Britain's New Cosmopolitanism: Financial Realignment and Imperial Relations, 1958 and Beyond

In the late 1950s, Britain's imperial economic relations underwent an important transformation. Forces within Britain urged changes in external economic policy. To British policy-makers the official convertibility of sterling signalled a return to a liberal multilateral economy in which the pound was deemed to play a leading role as a trading and reserve currency. This move changed the nature of Britain's economic link with the empire and with the periphery in general. However, sterling cosmopolitanism was difficult to revitalize in the face of domestic and external economic constraints. The Suez crisis revealed how fragile Britain's economy was in the global context without the support of the United States. Moreover, cosmopolitanism required a reordering of relationships that had developed during the war and the discriminatory period of sterling area management. Policies in the areas of capital exports, development finance, trade arrangements and the sterling balances bear out Britain's attempt to adjust established imperial relations to the requirements of liberal multilateralism. One can argue that cosmopolitanism was ultimately irreconcilable with established imperial financial relationships. To some extent, moreover, the balance of power in the British polity shifted, so that the advocates of empire lost influence while for sterling supporters the empire's transitional role ceased to exist. The late 1950s witnessed a complex interaction in Britain of domestic and external changes which is by no means fully understood or investigated. There is more to the story than Prime Minister Macmillan's personal role in leading Britain away from an allegedly costly empire. The economic priorities of the British polity lay outside the empire, unlike a decade earlier. Available research has hitherto emphasized Britain's changing relationships with Europe without interpreting the rationale of the disentanglement of her relationships with the empire and the sterling area and with little reference to her attempts to establish a sterling area suited to cosmopolitanism. The following account attempts to contribute to redress the balance.¹

1. The cosmopolitan welfare state

The convertibility of sterling in 1958 marked the return to some form of cosmopolitanism, cherished by prominent exponents of the British polity and central to Britain's international role before the war.² The step changed the conditions for Britain's foreign economic relations and, one might argue, transformed the accumulation strategies of the British state by increasing the significance of international competition and reducing protected niches of economic activity.³ Domestically, policy priorities had to be attuned to the new constraints of liberal multilateralism, such as the convertibility of current transactions under growing trade liberalization. In 1957–8 British policy upheld the doctrine that sterling and British capital exports were critical for liberalized international trade and world liquidity. This was a delicate matter, however, given Britain's uncertain place in the new multilateral economy. The experience of Suez reminded policy-makers that Britain was unable to withstand serious reserve crises on her own.⁴ The revived cosmopolitanism was more fragile than the one that had sustained the British economy in the late nineteenth and early twentieth centuries because it occurred in a different international economic environment and against the background of different domestic economic fundamentals. Although the dollar gap was closing, Britain's balance of payments and reserve position were still volatile, and the recovery of 1958 was only temporary.⁵ Britain struggled to maintain the required balance of payments surplus without devaluation and was in dire straits vis-à-vis her capital export objectives. Moreover, the claims by overseas countries on their accumulated capital continued to pose potential risks.

The convertibility of sterling significantly changed the nature of Britain's relationship with the sterling area and prompted a deflationary backlash in domestic economic management. The rationale of the sterling area had previously consisted of multilateral settlements within the group while discriminating against the outside world. The part played by individual members critically hinged on British concessions, notably privileged access to the London money market. This aspect of the sterling area vanished with convertibility and cosmopolitanism. None the less, a liberal cosmopolitan sterling area was conceivable, either as the result of a return to sterling as the principal international currency, or in the form of a group consisting of countries that supported sterling by retaining the pound for reserve purposes. But this required confidence in the British economy and was unlikely to lead to a voluntary holding of surpluses similar in size to those previously accumulated by some sterling area members.⁶

Sustaining Britain's new cosmopolitanism, when sterling area support was faltering, required internal financial restructuring. Bank Rate was now used as a tool to check domestic demand to an even greater extent than earlier in the 1950s.⁷ In 1959, the Radcliffe Committee sounded out a wide

range of experts on desirable structural changes in the credit system and new options in monetary policy to control inflationary pressures better.⁸ There was now no alternative to convertibility: without it sterling's role as an international currency was at an end. Speculative sterling crises needed to be avoided. The sterling crisis in the summer of 1957 was evidence of the dangers inherent in implementing convertibility in a hesitating way.⁹ In 1958, new pressures were also arising from within Britain, as investors started to circumvent exchange restrictions by using the emerging Euro-dollar market.¹⁰

From the late 1950s, the empire proved to be an irritant rather than an asset for the pursuit of Britain's cosmopolitan ambitions. The areas of the imperial economic relationship most affected by Britain's cosmopolitan objectives included the position of (ex-)colonial territories within the sterling area framework, capital flows to the colonies and trade patterns. In addition, conflicts emerged between long-established colonial monetary and financial arrangements and liberal multilateralism.

The large (ex-)colonial holders of sterling balances, Ghana, Malaya and Nigeria, wished to throw part of their accumulated balances on the market and convert them into dollars or gold. And the main holders of sterling balances had no wish to continue to pursue a policy of accumulation. The best Britain could hope for was to preserve a cordial relationship on limiting withdrawals from developing into a major row. The (ex-)colonies' eagerness to boost their own economic development and the increasing amount of borrowing required for such purposes made them unlikely candidates for a reformed liberal version of the sterling area. Moreover, the trend of commodity prices raised concerns among policy-makers about the long-term prospects of countries reliant on primary exports.¹¹

Britain's cosmopolitanism also prompted a further shift of investment away from the empire. British investors sought more secure and profitable outlets in previously closed markets outside the sterling area, and also found new outlets in the Eurodollar market. After convertibility, moreover, the government had few incentives to counteract investment opportunities set by the market. Any attempt to do so would have contradicted the liberal doctrines of external economic management and thus destabilized sterling; and any possible returns on the trade side for Britain would have materialized only in the very long term.¹² From the perspective of the accumulated capital patterns, it was, furthermore, crucial that British capital did not flow to important (ex-)colonial holders of balances. Britain's cosmopolitan policy made her wary of channelling capital to the empire. Mounting colonial borrowing not only stood in the way of an adjustment of the capital side of the British balance of payments to liberal multilateralism, but would also impede the London market from meeting claims that needed to be prioritized under the new policy objectives. At the same time, cosmopolitanism demanded a different management of trade flows from

previous periods. In view of sterling's continuing role as an international currency, exports needed to be encouraged either to areas short of sterling or to areas with considerable growth potential. It was not enough simply to boost exports by promoting growth in Britain; nor was it satisfactory to support protected markets, as had been the case during the period of inconvertible sterling.¹³

On top of this, Britain's cosmopolitanism conflicted with mechanisms that provided essential finance for colonial development. Hitherto, continuously increasing balances and practices of inter-colonial investment had supported the market for colonial loans. Such support, however, was inappropriate in a liberal money market; nor would it help confidence in sterling. It was not a feasible strategy either, given the reduction of available balances. Furthermore, colonial monetary arrangements were unlikely to survive expansionist economic policies on the periphery, which were, at least in part, a corollary of international liberalization.¹⁴ In addition, domestic financial restructuring in Britain meant a greater flexibility in investment options for institutional investors and less support for arrangements that were unlikely to sustain themselves in a free market. Thus, the prerogative of colonial trustee status, which had channelled funds from British institutional investors to the colonies, became practically redundant.¹⁵

2. Cosmopolitanism and external economic relations

Between 1957 and 1960, the domestic factors that affected Britain's imperial relationships were exacerbated by a host of external influences from the international economy, continental Europe and the United States. The international economic environment changed considerably with trade liberalization and currency convertibility. Under convertibility, Britain was also required before too long to accede to the IMF provisions on non-discrimination. Trade and, to an increasing extent, capital were allowed to move with far less restriction than previously and according to the propensities of the market. As it turned out, this new freedom presented risks for Britain's position within the transformed international economic order.¹⁶

The major strains on Britain's imperial relationships ensued from problems of international liquidity and capital flows, and from changes in trade patterns. The new multilateralism aggravated the international liquidity problem that had developed since the early 1950s as a result of growth in trade among industrialized countries. The ratio between the volume of international trade and international reserves declined markedly between the 1940s and 1960s. By end of the 1950s, concerns had arisen among economic policy-makers as to how to achieve a sustainable convertibility of currencies.¹⁷ It turned out that Bretton Woods faced the inescapable problem that the US deficit provided dollars to the world on the one hand, while, on the other, the deficit required the United States to settle payments

to an increasing degree with its gold reserves. European countries, in sharp contrast to the 1950s, were now wary of accumulating too high a level of dollar reserves. This increased speculative pressure on the dollar and hampered world liquidity. The dollar shortage of the late 1940s and much of the 1950s turned into the so-called dollar 'glut'. The crisis finally led to the creation of the IMF's special drawing rights in 1968 to solve the world's liquidity problem.¹⁸

In the 1960s, Britain's far-fetched hopes that the return to cosmopolitanism would restore the pound sterling to its former glory and do away with her difficulties in external economic relations were shattered, in spite of boom conditions in the world economy. Britain soon faced problems similar to those she had encountered in the 1950s, namely severe current account deficits and reserve shortages. The overall level of the sterling balances remained high. Despite considerable efforts to boost exports to industrialized countries, Britain continued to suffer from a comparatively poor export performance. Balance of payments crises occurred in 1961 and again from the mid-1960s. Sterling was not able to benefit from the weakness of the dollar. Rather, the world liquidity crisis meant that occasionally (though reluctantly) a lifeline was extended to sterling, without the currency regaining much appeal. The London money market continued to be under considerable pressure. There were protracted quarrels over a possible devaluation of sterling, which eventually occurred in 1967, and, at various points, the Bank of England had to rally other central banks and the IMF in support of the pound. The call was heeded largely because international monetary institutions feared that the collapse of the pound might drive the international economy into turmoil at a time when there were already serious problems with the dollar.¹⁹

Furthermore, the trend towards inter-industrial trade by the late 1950s was compounded by a growing trend in the sterling area away from British markets. These trends upset Britain's long-established trade and payments patterns.²⁰ Hitherto Britain had balanced her deficits in the trade of visibles with the dollar area via surpluses in the trade of visibles and, more importantly, invisibles with the sterling Commonwealth; the colonial sterling area achieved a surplus with the dollar area and to a lesser extent with Europe. Moreover, Britain required the imports in visibles from the sterling Commonwealth to balance her exports in invisibles to this area. At the end of the 1950s, this mechanism became distorted.²¹ The colonial sterling area no longer secured a sufficient surplus with the dollar area, and on occasion incurred a deficit. This problem was heightened by a developing slump in world prices for important commodities. Similarly, the sterling Commonwealth was less able to achieve a surplus in visibles with Britain in order to balance a deficit in invisibles. Moreover, European liberalization and the dissolution of the European Payments Union with convertibility in Europe further undermined the existing settlement mechanism because

it prompted increased competition with products from the sterling Commonwealth.²²

European economic reorganization had the potential of aggravating the trend towards changes in trade flows.²³ The European common market, as agreed by the signatories of the Treaty of Rome in 1957, pledged members to give overseas territories some form of associate status in the long term. This agreement hampered access to European markets for British colonies and the sterling Commonwealth, and thereby jeopardized the surpluses for sterling area settlement. But a European free trade area that included Britain together with the colonies and/or sterling Commonwealth might deflect important sterling area exports from Britain to Europe. The alternative of Britain joining a European common market without her overseas territories and the Commonwealth (a proposal which came on the political agenda in 1959–60) might accommodate new trends in trade and capital flows, but was also likely to increase claims on the London money market. Not least, such a step implied a radical departure from past trade ties and risked increasing the chances of Britain being presented with sudden claims for releasing (ex-)colonial sterling balances, which remained an unresolved issue.

By the late 1950s, Britain was thus compelled to alleviate increasing sterling area deficits by boosting her trade balance with North American and European markets. In this respect, the old arrangements had become a liability rather than an asset. However, if the pound was to be maintained as an international currency, it was crucial to sustain a settlements system that was able to accommodate sterling's role within a liberal world economy.²⁴ This became all the more important because the European dollar shortage vanished in the late 1950s as the United States slid into deficit and therefore supplied the world with dollars. As a result, the dollar became the principal currency in international trade and not simply a currency that was hoarded in reserves. By 1960, sterling coexisted with the dollar as a key currency, but remained hampered by Britain's poor balance of payments and by speculative claims of liquid liabilities.²⁵ Given this context, it was essential for Britain that problems of development finance and capital exports were addressed at the international level.

Britain required substantial international (and particularly US) support for schemes that supplemented development finance in areas that were being neglected by changing investment flows. This concerned areas of potential growth, such as the 'new' Asian Dominions, and regions that were an increasing drain on British resources, such as the colonies and recent ex-colonies. International arrangements ought to help the London money market over a period during which it faced more claims than it could cope with. The creation of the International Finance Corporation in 1955, and particularly the founding of the International Development Association in 1960, were steps in this direction. Meanwhile, the British

hoped that domestic recovery would put Britain's balance of payments in a shape that allowed her to seek a reduction of the (ex-)colonial sterling balances, and also boost the level of British capital exports to the extent that was required to sustain sterling as a leading international currency.²⁶

But the United States was distinctly unwilling to be subjected to Britain's policy designs. US economic diplomacy in the late 1950s and early 1960s gave Britain a degree of support, but also challenged her position.²⁷ The Suez crisis of late 1956, as is well known, almost broke the pound. The general speculation against sterling and pressure on the sterling exchange rate heightened with the US refusal to support the pound with credits, either directly or via the US-dominated IMF; renewed rumours about a devaluation were inevitable. At the same time, India withdrew sterling balances, and Britain, for fear of further repercussions on international confidence in the pound, deemed it necessary to continue with the scheduled allocation of the instalment of blocked Egyptian balances (unlike the United States which blocked assets that Egypt had moved to New York after the 1947 crisis). Britain's reserves suffered severely as a consequence of all these factors as the move to convertibility drew near.²⁸ To make things worse, some countries in the Middle East cut off their oil supplies to Britain, who needed to resort to buying oil with dollars that were still scarce. None the less, Britain ultimately reached an arrangement with the United States and this had a twofold effect: loans from the Exim Bank and the IMF in 1957 mitigated some of the losses that Britain incurred during the crisis, but these also placed new burdens of repayment upon the British economy.²⁹ In 1961, on the other hand, when confidence in sterling had been damaged and devaluation once again seemed unavoidable, the United States (in conjunction with other central banks) extended a lifeline to sterling so as not to jeopardize its supporting role to the dollar as an international currency.³⁰

The United States needed the British as an ally on the road to establishing a liberal international economic order,³¹ and as a strategic ally in the 'Cold War' too.³² As we have seen, the United States had condoned Britain's recourse to discrimination in the empire because it helped Britain's postwar recovery.³³ But, while the United States shared some of Britain's concerns, notably in relation to the problem of the sterling balances, she was reluctant to put the British back on their feet as an independent power. Britain's growing dependence on US support allowed the Americans to tie her more closely to principles of managing the international economy that were guided by their concerns for the dollar.³⁴ In this respect, any inclination by peripheral countries to move into the dollar for reserve purposes and their need for development assistance from the United States, which was usually tied to US exports, suited US policy designs. By the late 1950s, the Americans had realized the periphery's potential for becoming part of the dollar-based, liberal trading world. The

United States was beginning to assume a role as a capital exporter to these areas – a position that Britain had occupied for decades.³⁵

3. The imperial policy of cosmopolitanism

By 1957, in view of the imminent convertibility of sterling, British policy had again become preoccupied with problems on the current side of the balance of payments, as it had been the case in the late 1940s and early 1950s. At the same time, however, the situation on the capital side remained menacing because cosmopolitan sterling without a relatively liberal practice in allowing capital movements was a contradiction in terms. The Suez shock in late 1956 prompted a renewed emphasis in domestic economic policy on deflationary measures. The corollary in external economic policy was that the British put even greater emphasis on exports to boost Britain's balance of payments.³⁶ This objective entailed policy changes towards the empire, notably in the fields of borrowing and development assistance, and again heightened the persistent problem of the colonial sterling balances. These reconsiderations were embedded within the broader debates flowing from post-Suez policy reviews (and others which Suez had made more topical). These reviews focused on the role of British capital exports, on borrowing from outside Britain and the sterling area, on the effects on the sterling area of a European free trade area or customs union, as well as on initiatives to salvage some role for the sterling area under conditions of multilateralism.³⁷

The sharp rise in Bank Rate during 1957 was Britain's principal means of controlling capital exports. For the colonies this meant that the opportunity to borrow on the London money market was now greatly restricted. The use of Bank Rate enabled policy-makers to hide more important structural problems for prospective colonial borrowing. Between February 1957 and July 1958 a virtual moratorium on colonial loans from the London market existed. Thereafter, the situation for colonial loans scarcely improved, even when Britain pursued a slightly less deflationary policy.³⁸

Britain rearranged development finance for the colonies and the Commonwealth in order to shape a pattern of capital exports in line with her cosmopolitan ambitions. By 1958, British policy had become uncharacteristically keen to foster multilateral schemes of development assistance, especially for Africa. The new framework included the Economic Commission for Africa and the Foundation for Mutual Assistance in Africa South of the Sahara (FAMA) of the Commission for Technical Co-operation in Africa South of the Sahara (CCTA).³⁹ The British encouraged discussions about the establishment of an international development agency to be associated with the IBRD. The main hopes in the long run were placed in multilateral IBRD schemes, loans from the United States Development Fund, and in some cases on borrowing by British colonies on the New York

money market.⁴⁰ In fact, in 1958 Jamaica raised the first British colonial loan in New York.⁴¹ However, on the whole, officials discovered that there was little leverage for borrowing from outside the sterling area that would alleviate pressures on the London money market.

The alternative was the reorganization of bilateral development arrangements and the advocacy of restraint. Bilateral financial flows were expected to find their own level in relation to the creditworthiness of individual borrowers.⁴² The bulk of finance was to come from private sources. Government-to-government loans were not to be given to independent Commonwealth countries.⁴³ Moreover, the Colonial Development Corporation (CDC) was only to continue in an advisory function after a country's independence.⁴⁴ The Commonwealth Development Finance Corporation (CDFC) and the CDC were to continue to operate as private finance companies, preferably supported by some form of IBRD lending scheme.⁴⁵ However, the involvement of the IBRD proved difficult since the Bank demanded that its loans be given government guarantees, which Britain was reluctant to grant.⁴⁶

In order to get a grip on capital exports, Britain also sought closer reciprocity between development finance and British exports in line with current payments and capital patterns. Consequently, the role of the Export Credits Guarantee Department (ECGD) markedly increased. Apart from these export loans, there was no mandatory tying of British loans. However, in practice, large capital exports were judged on their merit for sterling area development or for their potential in enhancing British exports.⁴⁷ With this objective in mind, a new policy on Commonwealth economic development was eventually announced at the Montreal Commonwealth Conference in 1958. Additional loans were pledged for the independent Commonwealth within the ECGD arrangements; the precise amount depended on Britain's economic position. For the colonies, provisions for loans from the Exchequer were made within the framework of the CD&W Act of 1958. But priority was still given to open-market loans. To facilitate access to the market, colonial borrowing was reorganized to allow subordinate authorities, namely public utilities (though not regions or municipalities), to apply to the London market for loans on their own merit.⁴⁸

The Suez crisis aggravated Britain's concerns about the capital side of her balance of payments. Policy-makers wished to stifle any talk about 'winding up' the sterling system and to foster confidence in British policy to prevent important members of the sterling area from leaving.⁴⁹ Officials expected a drain of about £800 million over the forthcoming five-year period from the reduction of colonial currency covers and the greater use of development funds. This made it imperative to watch withdrawals of colonial and Indian sterling balances closely. The main British concern was to anticipate and limit damage that might arise from policies in the large

ex-colonies Ghana and Malaya,⁵⁰ as well as from developments in colonies, such as Nigeria. In addition, the British courted holders of sterling balances in the Middle East, notably Kuwait, in order to direct rising oil balances into acceptable channels. The ruler of Kuwait was to be persuaded to restructure his portfolio in favour of British long-term securities, though it is not recorded whether he heeded the suggestion.⁵¹

Claims from holders of colonial balances reopened the convoluted debate on the management of colonial finances that had originated in the early 1950s because it turned out that the policy measures taken at that time had failed to produce the required results. The issues addressed were the familiar ones of the risk and impact of colonial withdrawals, the liquidity of the colonial portfolio, the mechanisms for providing finance for colonial development and the possibility of using accumulated balances for this purpose. The collection of adequate statistics on the balances and colonial finances again came high on the agenda, as it had been between 1953 and 1955; in 1957, the problem was also bound up with Macmillan's policy review of the colonies.⁵²

The British brought political pressure to bear, especially on Ghana, to control the withdrawal of balances. They also took steps to change the structure and increase the liquidity of colonial investment portfolios in terms of the type of securities held. Policy-makers particularly feared that Ghana, as well as Kenya and Malaya, might destabilize the market for colonial securities beyond repair by pursuing a selling policy.⁵³ By late 1958, however, British concerns about a rapid withdrawal of the balances in general and the sale of colonial stock in particular had receded.⁵⁴ None the less, problems mounted with respect to the support given to colonial finances by inter-colonial investment from the Crown Agents.⁵⁵ Furthermore, with convertibility at the end of 1958 which implied the liberalization of trade with the dollar area, policy-makers were at an even greater loss in presenting the case for sterling area membership, when pressure from the periphery for holding more dollars and gold increased. The British attitude became markedly more defensive; the 'merit' of the sterling area was a matter better not talked about.⁵⁶

The Treaty of Rome made this already complicated situation even more intricate.⁵⁷ Britain (like the United States) was worried about the future association of overseas territories with a European common market. During 1957, the British took a number of initiatives to minimize the possible effects of such a move in bilateral negotiations and in consultations with the GATT.⁵⁸ In their confidential deliberations, though not in public statements, officials were also adamant that Britain's free trade area proposal had to exclude her overseas territories.⁵⁹ Eventually, by mid-1959, the British had fathomed an alternative strategy of influencing the European common market in its policy affecting Britain's colonies and the sterling area by preparing to join it.⁶⁰ On the whole, economic circumstances and

pressures from economic diplomacy in the aftermath of Suez left British policy-makers with a great many loose ends that needed tying up.

4. The rationale of disengagement

British moves in foreign economic policy between 1957 and 1959 in various ways signalled a restructuring of sterling area relationships. This transformation also implied a disengagement from former economic links with the empire. After Suez and convertibility, the complicated puzzle of Britain's external payments arrangements and capital flows had developed cracks. At the same time, the restoration of convertibility was an attempt to resuscitate sterling cosmopolitanism.⁶¹ The level and direction of capital exports became a delicate issue considering Britain's export performance and the future of the sterling area and of sterling as an international currency. In general, British policy attempted to reduce external commitments while searching for alternative sources of finance for the sterling area as well as for Britain's oil industry, which became an increasing burden on the already strained London market from the late 1950s. The ideal, though increasingly unrealistic, borrowing pattern was for the sterling Commonwealth to borrow to a greater extent from outside the area, while Britain, with an improving balance of payments, stepped up her overseas investment and reduced her own borrowing. Claims for credits from the London money market had to be reduced, while maintaining London's reputation as a financial market.

This policy required a walk on a tightrope because demands for capital, if deflected too forcefully, heightened rather than reduced the pressure on the British economy. The control of British capital exports encountered two fundamental problems. First, it was a matter of difficult judgement to know when a reduction in capital exports would harm sterling or British exports. Second, it was hard to influence the behaviour of private investors. At the same time, the leverage with respect to British government aid was narrowing. The main way to check borrowing by the sterling area was the imposition of high interest rates in Britain. The alternative to this would have been exchange controls within the sterling area. But this was tantamount to abandoning the area altogether and, therefore, not an option for most policy-makers.⁶²

The rearrangement of British capital exports and Britain's increasing search for finance from outside the sterling area affected Commonwealth and colonial borrowing and development assistance. The British made sure that the London market was not the main recipient of expected claims for credits for peripheral development, at least in the short term. The quantitative problem of claims on British resources was bound up with the qualitative one of attuning overseas investments to payments patterns that sustained cosmopolitanism. British capital exports did not need to go to

the empire where the problem for Britain's external payments was too much liquidity rather than too little.⁶³ British exchange control was already fairly liberal in sanctioning overseas investment outside the sterling area, notably in Europe and Canada. The main capital flows to the Commonwealth went to Canada and Australia, then to the colonies and Rhodesia and New Zealand. At the end of the list came India, Pakistan and Ceylon.⁶⁴ But Britain was no longer able to provide the required capital exports towards the Asian Dominions, and the United States was bringing these areas increasingly within the realm of the dollar. The British hoped that international arrangements would counter this trend by boosting development in areas which were short of sterling but had considerable growth potential. In order to foster confidence in the pound and to keep the Bretton Woods system afloat, Britain had a growing interest in promoting international schemes of this kind.

The increasing importance of Britain's management of export credit arrangements is explicable in similar terms. These arrangements were not devices to strengthen Britain's export trade or to promote British manufacturing in their own right. Rather, they were a means to adjust Britain's overseas capital position, which had slipped out of control. It is indicative that industrialists and merchant bankers were deliberately excluded from the committee that discussed the reorganization of export credit arrangements.⁶⁵ The concern with payments patterns also explains why British officials were scared of US initiatives which aimed at tying assistance (given by the United States Development Loan Fund) to the developing world to US exports. The British countered this declaration with the surprising assertion that none of Britain's development assistance was tied.⁶⁶

Britain's export performance during the period was even more important than in previous years because the alternative and supplementary pillars, the sterling area and especially the empire, were disintegrating. In spite of continuing attempts by Britain to coordinate economic policies, the independent (sterling) Commonwealth began to detach itself from the restraints of the sterling area and to establish closer links with the dollar world from the late 1950s.⁶⁷ To back up sterling, the British were now more interested in preferences than the Commonwealth, and wanted Commonwealth members to negotiate bilateral preferential trade agreements.⁶⁸

From the late 1950s, the colonial empire played a minor role for British exports of capital goods stimulated by colonial development and for less competitive sectors of British industry. But the (former) colonies' crucial role as holders of balances continued to be a potential burden and risk for the British economy. Moreover, by that time the long-term prospects for commodity exporters had become gloomy. Commodity prices were declining markedly, and, as import restrictions in the colonies eased, balance of payments problems began to emerge.⁶⁹ This development was not entirely unwelcome as long as it helped to diminish 'excess' balances.⁷⁰ The British

were, however, wary of pressure from the periphery for entering commodity agreements to stem the fall in commodity prices. Prices had already declined with respect to tin, rubber, wool and dairy products, and had considerably affected the foreign earnings of Malaya in particular. By contrast, West African cocoa was still in a strong position on the world market. While Malaya had a problem of decreasing commodity receipts in the late 1950s, Ghana and Nigeria were still valuable. Their exit from the sterling area might have entailed the loss of considerable current assets as well as a threat on the capital side.⁷¹ Therefore, Britain had her own interests firmly in mind in the late 1950s, when she lobbied the GATT to obtain preferential treatment for the exports of these former colonies.⁷²

Britain's policy towards the European common market also provides evidence of her concern to prevent changes in trade patterns that might be detrimental to sterling's role as an international currency. Different forms and degrees of European association meant different impediments for existing trade flows and payments settlements with the sterling area and the Commonwealth. After 1957, reality bore out earlier British fears.⁷³ A European common market without British participation was likely to discriminate against British colonial products in Europe and upset trade patterns. Provisions in the Treaty of Rome for the future association of European overseas territories affected the British colonies and Ghana in particular. The British feared that this might also prove politically polarizing in Africa and trigger illiberal trade policies on the periphery.⁷⁴ For these reasons, Britain sought mitigation before the GATT, asking that third countries should be treated as they had been prior to the Treaty of Rome, that the overseas territories of the EEC would not be given non-tariff preferences, and that tariffs and taxes would not be unduly discouraging for third countries.⁷⁵ Similar mitigation might have been achieved by Britain's proposal for a free trade area that included the signatories of the Treaty of Rome but excluded overseas territories. Yet this attempt failed in 1959. Britain's entry into the EEC was expected to have serious repercussions on trade patterns with the Commonwealth and empire. However, in 1960 other problems posed by such a move were no longer seen as insurmountable. For example, access to the London money market might be limited by granting occasional access to the European Investment Bank but not to European governments. Outward movements of capital were anyway handled with little restriction, and sterling area privileges were dissolving.⁷⁶

After 1957, the debate about a possible restructuring of the sterling area by incorporating new members, or the possible impact of certain members leaving the area, was rekindled. Sterling area expansionists stretched their imagination as far as Germany, before admitting that prospering economies hardly had an interest in joining and that no extension of the sterling area was feasible.⁷⁷ In fact, the widening of access to London's foreign bond market beyond the sterling area threatened to make an important privilege of

sterling area members redundant. There were grounds for postponing the move in case Ghana and Malaya used it as a pretext for leaving the area. Ghana and Malaya saw this step as prejudicing promises that they would be allowed to borrow when the market situation had improved.⁷⁸ Moreover, the British urgently needed a positive alternative to colonial sterling holders because the blocking of balances impeded confidence in the pound in a liberalized world economy and was, therefore, no longer an option.⁷⁹ None the less, a funding operation was discarded because it brought the colonies in a formal creditor relationship to Britain, and was thought to encourage sales of sterling. Moreover, it was hard to judge whether or not the funding operation was required at all.⁸⁰ In the course of these deliberations, Britain's priorities in the sterling area underwent another geographical shift. After 1957, the Middle East replaced the colonies as the most promising region for the sterling area.⁸¹

By 1959, policy-makers had realized that withdrawals of colonial balances would be protracted. Moreover, disinvestment of colonial stock was no longer a major worry because the share of colonial securities in overall holdings was less important than had been anticipated. However, concerns about independent dollar holdings and the dim future for (ex-)colonial development finance became more acute than ever. Fundamental choices needed to be made in view of the limited prospects of finance from the New York and London markets.⁸² By that time, investors' confidence in African issues had virtually vanished.⁸³ As Britain attempted to re-establish the pound as a leading international currency, sterling again experienced a succession of crises. Hopes were dashed in 1961, when a central bank intervention scheme (via the Bank of International Settlement in Basle) was required to prevent the devaluation of sterling. This time the imperial sterling area was no longer willing or capable of bailing Britain out, and the Middle East was not a sufficient alternative. Britain, in turn, did not have the resources for boosting development in the poorer areas of the sterling Commonwealth. Nor did she have any positive incentives in the 1960s for paying great attention to the colonies or recent ex-colonies in shaping her external economic policy.

5. Shifts in the British polity

The Treasury and the Bank of England were the driving forces behind British attempts to re-establish a cosmopolitan role for sterling in 1957 and 1958. Their leading officials held the view that liberalization and expansion in world trade required a strong pound and ultimately the resumption of British capital exports at a large scale; even if this implied that Britain's economy stagnated.⁸⁴ Otherwise, world trade flows were bound to be disrupted and developing countries, too, would suffer in the long term with regard to capital imports. Free markets in Kuwait and Hong Kong and a

greater level of independent gold and dollar reserves were acceptable drawbacks provided the sterling area remained operational.⁸⁵ Moreover, in order to promote world development, advanced countries should help to boost growth in the underdeveloped world. Yet, Britain should not shoulder these responsibilities for the time being. Lending to the periphery was too risky for her reserves unless loans were tied to specific British exports.⁸⁶ The Board of Trade, on the other hand, advocated a sterling policy that did not disadvantage the competitive sectors of British industry in the crucial new export markets of Europe and the United States. Therefore, the Board favoured a floating pound, which in fact amounted to a devaluation of sterling, and incidentally contradicted Bretton Woods.⁸⁷ According to the Board, a floating pound also had the advantage that colonies might suffer losses when liquidating sterling balances, and thus be discouraged from throwing them on the market all at once. Moreover, the Board recommended withdrawing the pledge, given at the 1952 Commonwealth Conference, of a special commitment to British investment in the sterling area.⁸⁸ The Treasury criticized the Board's support for export markets between industrialized countries for neglecting the growth potential of developing areas.⁸⁹ But, in essence, any active concerns which the Treasury and the Bank of England entertained with the developing world were related to their ultimate aim of returning to a sterling-based international trade order rather than to peripheral development in its own right. Besides, defensive concerns with the empire persisted with respect to the hazards the colonial sterling balances might pose for Britain's reserve position.

With regard to the problem of (colonial) 'excess' balances and the liquidity of the colonial investment portfolio, the Bank was disconcerted that the reduction of the colonial currency cover introduced in the mid-1950s had not produced the desired effect.⁹⁰ The Bank doubted the Crown Agent's definition of vulnerable funds.⁹¹ In 1958, the Bank's Chief Cashier even feared that the Crown Agents, the institution that managed the bulk of colonial investments, might face receivership, which was bound to create a serious confidence problem for the pound.⁹² Similarly, the Bank expected a surge in demands for development finance by the colonies and the newly independent Commonwealth on the London money market.⁹³ This was not simply a quantitative problem; lack of responsiveness in the market might jeopardize confidence in sterling and undermine the sterling area. To make things worse, Ghana's and Malaya's funds were no longer available for inter-colonial investment by the Crown Agents. This, in effect, marked the breakdown of the pooling system that had formed a pillar of colonial development finance.⁹⁴ On top of this, the Bank (more so than the Treasury)⁹⁵ expected the market for colonial securities to disintegrate, and therefore pressed for an investigation into the level of colonial stock held by individual territories.⁹⁶ Colonial funds and liquidity turned out to be less problematic than expected.⁹⁷ None the less, for the Bank an array of

substantial problems persisted: no future buyers for colonial stock were in sight, and, more importantly, the Crown Agents were no longer able to support the market for colonial loans.

On the assertive side of policy-making, the Bank of England seized every opportunity to eliminate traces of discriminatory sterling management and long-established imperial financial practices that smacked of an impediment to market forces. The Bank was firmly opposed to giving the colonies preferential access to the London money market. Moreover, the Bank was prepared to take independent action to suppress trustee arrangements; hitherto, these had provided an important support for colonial finance because they were an essential investment option for British institutions.⁹⁸ However, to satisfy the Colonial Office, the trustee list was extended in 1959 to include recent ex-colonies, if their governments provided guarantees. But this move simply caused prospects for colonial loans to deteriorate further. The step was anyway futile because in 1959 the government met demands by institutional investors and considerably widened their choice of investment.⁹⁹ The result was that changes in the Colonial Stock Acts had only mitigating effects since there were virtually no investors left to subscribe to these (ex-)colonial issues.¹⁰⁰

In this situation the Colonial Office vigorously reiterated its demand for a scheme of Exchequer loans, given the poor outlook for colonial loans on the London market, the obsolete status of inter-colonial borrowing practices, and the limited alternatives from the United States, Europe or the IBRD.¹⁰¹ The Office's lobbying, however, squared badly with Britain's cosmopolitan realignment, and sounded like philanthropy to those burdened by the onerous task of managing her external relations. The Treasury wanted the government to withdraw its commitment to colonial development (in spite of a ministerial decision to the contrary) rather than concede government loans. The Treasury even accused the Bank of England of deliberately refraining from approving colonial loans and shifting the burden of colonial development on the Exchequer.¹⁰² Moreover, the Treasury maintained that the CDC ought to be wound up in the long run, and only reluctantly agreed to the extension of its borrowing margin.¹⁰³ The eventual compromise in mid-1958 on a clearly defined Exchequer loans scheme, which maintained the priority of market loans, reflects concerns about British exports of capital goods for colonial development. For this reason existing development programmes were allowed to continue.¹⁰⁴

In broader terms, these departmental positions and their respective influence on policy-making can be explained as conflicts within the British polity. In 1959, British manufacturers had grave concerns about their competitiveness. Convertibility had been imposed on them, in spite of stern opposition from the Board of Trade.¹⁰⁵ Important manufacturing interests became identified with seeking a closer association with Europe. It appears that these interests now had more influence in government than previously.

Prime Minister Macmillan belonged to a strand of the Conservative Party that was more inclined to listen to these groups, to open up towards Europe, and to strive to reconcile sterling interests with those of manufacturing.¹⁰⁶ Moreover, leading politicians during the period were keenly aware of the strings attached to the legacy of sterling area relationships.¹⁰⁷ None the less, in 1959 the advocates of cosmopolitan sterling still retained formidable influence in government. Whatever the personal views of the Prime Minister and his closest associates may have been, the policy pursued between 1957 and 1959 largely followed the positions advocated by the orthodox supporters of sterling in the Treasury and the Bank of England.¹⁰⁸ However, this meant a slowing down of the British economy, so much so that during 1958 the British had to disentangle themselves from this course as the pressures from manufacturing mounted and the policy became counterproductive.¹⁰⁹ By the 1960s, the Treasury and the Bank had accepted a minor version of cosmopolitanism as a compromise. As a result, Britain's ties with the remaining empire or the recent ex-colonies became transformed. Eventually, the members of the Bank of International Settlement (in the Basle agreements of 1968) guaranteed the sterling balances in terms of dollars. This came too late to revive confidence in the sterling area, which was formally dissolved in 1972. However, already after Suez the empire's relevance to the economic programme of the key strands of the British polity, finance and manufacturing, had vanished. This field was now left to enterprises with interests in certain sectors of manufacturing in specific regions, and also to the old advocates of imperial protection. But attempts to adhere to Commonwealth preferences were unsuccessful. Unlike in the 1930s, important sections of British industry were not in favour of an imperial strategy but keen on competing in continental European markets.

6. Conclusion

This chapter has argued that the convertibility of sterling in 1958 marked a shift towards cosmopolitan sterling relationships and designs and therefore also an important shift in Britain's imperial relations. Moreover, our argument has underlined that British external economic policy can only be understood with recourse to a political dimension of analysis. Officials did not identify abstract, feasible options on the sterling area's future and then implement a coherent policy accordingly. British policy-makers were rather more pragmatic and resolute in the pursuit of long-held aims. Well into the 1960s, they strove to re-establish the pound as a major international currency in the face of growing domestic and external adversities. A redefined sterling area was a means to achieve this aim.

Therefore, policy had to establish the monetary and financial relationships that were needed for boosting Britain's revived cosmopolitanism. This required sustainable arrangements for sterling-based payments covering a

wide area of the globe, conditions that were conducive to an increase in capital exports, and the revision of economic management that impeded market forces. For Britain's relationship with the empire, this meant a withdrawal from further involvement with colonial development, the direction of British capital exports away from the empire and the discontinuation of management practices that supported peripheral development finance. Propping up the sterling area, moreover, implied some British attempts to retain preferential treatment for Commonwealth trade with Britain, at a time when trade liberalization increased sterling area imports from dollar markets.

Yet, in the aftermath of Suez, the realization of Britain's cosmopolitan ambitions was severely hampered by continuing problems with the balance of payments and the reserves. In addition, exogenous factors, such as changes in trade flows and the challenges of closer European association, increased pressures on the British economy. Furthermore, by the end of the 1950s, forces within the British polity that were prepared to trade sterling cosmopolitanism for domestic growth in manufacturing and a closer integration with Europe had gained strength. Such a reorientation implied the marginalization of imperial economic relationships in the 1960s. At the same time, external support, such as formerly provided by the imperial sterling area, or substantial external borrowing for Britain, was not in sight. Colonial sterling balances still posed risks. The balance of payments of the overseas sterling area was deteriorating, and established arrangements supporting colonial development finance were no longer operational. Moreover, investment tended to move towards the industrialized world and the Eurodollar market, while demands for finance in the remaining colonies and recent ex-colonies soared.

Thus, after 1957, Britain became cornered between established claims from colonial balances and prospective claims for development finance. Orthodox economic policies with respect to the empire had reached a dead end at a time when the dominant forces in the British polity had lost interest in resuscitating them. In many ways, the conditions that had dominated the rationale of Britain's economic relationship with empire since the Second World War had ceased to exist. The transformed role which the periphery occupied after 1958 within Britain's external economic relationships underscores this shift towards separation.

Appendix

(For an introductory note on the appendices, see Appendix to Chapter 4.)

Table A.8.1 summarizes data on colonial stock held by individual (former) colonies as assessed by the 1958 Working Party on the issue.

These data helped policy-makers to evaluate the risk from withdrawals for the market of colonial stock, notably from the newly independent countries Malaya and Ghana (the Gold Coast), and to assess the amount of colonial stock in the investment

Table A.8.1 Colonial sterling assets: Dominion and colonial stock (D/C), 1958 (£ million)

	General Total	Funds D/C	Special Total	Funds D/C	Marketing Total	Funds D/C	Currency Total	Funds D/C
Ghana	58.1	1.0	18.1	6.1	55.9	—	34.7	0.3
Malaya	136.1	23.1	51.1	18.7	—	—	136.1	19.3
Nigeria	90.7	9.0	30.2	7.2	61.8	0.3	65.3	0.5
East Africa	35.3	4.9	57.6	26.3	23.9	4.1	64.3	0.6
Jamaica	11.4	0.1	12.3	4.9	—	—	7.6	1.1
Br.Caribbean	3.0	0.3	26.2	10.0	—	—	17.7	3.5
Cyprus	0.5	0.1	2.7	1.8	—	—	10.9	1.6
Malta	0.4	—	16.7	5.3	—	—	22.4	2.2
Mauritius	4.3	0.5	9.7	1.7	—	—	4.9	1.5
Totals of above	339.8	39.0	224.6	82.0	141.6	4.4	363.9	30.6
Grand Total Assets		1069.9						
Grand Total D/C Stock		156.0						

Source: T 236/4776.

Table A.8.2 Financing of colonial development over the period 1946–57: Colonial Office assessment (1959)

Local sources	£600 million
CD&W monies	£137 million
London market borrowing	£187 million
International Bank loans	£13.5 million
Total	£937.5 million

Source: Colonial Office, Confidential Memorandum, 'Financial Assistance by H.M.G. to the Colonial Territories', 16 Oct. 1959, PRO CO 1025/113.

portfolios of (former) colonies. The latter also revealed the extent to which Crown Agent investment practices had supported the market for colonial stock (see A.9.2).

The table shows that Malaya held an unusually high amount of colonial stock in general government funds. This issue received systematic attention in policy exercises because of the Bank of England's mistrust of the Crown Agents. None the less, the problem of the liquidity of these portfolios was more important. For a survey of the latter problem, see chapter 3.

Table A.8.2 is a confidential summary assessment by the Colonial Office of past financial sources for colonial development.

This appraisal flatly contradicts the published official versions on the subject as well as the ad hoc assumptions prevalent in official documents during the 1950s. Such assessments rarely placed financial flows to the colonies in comparison with the local self-financing of development, probably because, in the 1950s, colonial economic development was no longer a British priority. Moreover, the lack of territorial differentiation led to a considerable distortion of ad hoc assessments, which was particularly pronounced with regard to West Africa and Malaya. Moreover, most of the flows to the colonies occurred in the early 1950s, but dried up later. For a general survey, see chapter 3.

9

The Sterling Empire and the International Economy: Frictions with Cosmopolitan Britain, 1958 and Beyond

The periphery related in a different way to the international economy under conditions of liberal multilateralism. These changes and Britain's modified requirements when embarking on the new cosmopolitanism diminished the economic complementarity between Britain and her (former) empire. The situation was aggravated by new policy designs of states on the periphery in view of their economic development and foreign economic relations. The more forceful political manifestation of these new states and some of the old colonies reflected greater differentiation in political organization and social and economic transformations. The drive to peripheral development changed financial institutions on the periphery and undermined British financial control. Britain needed to anticipate damage arising from the imperial legacy. British policy focused on preventing abrupt changes in the familiar areas of currency arrangements and trade policies, on avoiding new claims in development finance, and on securing old political alliances. Ghana became the most delicate case. None the less, this defensive strategy was only partly successful, and the (former) empire's relevance to Britain decreased. Even so, Britain was able to avoid an emergency that might have resulted from non-cooperation in the sterling area by the periphery. Historical research on the empire has so far given little attention to this important transformation in the late 1950s. Most studies have focused on nationalism as the turning point in the colonies' relationship with Britain.¹ However, one contemporary symposium assembled economic research on the impact of convertibility on the sterling area and the likely future policies of overseas members.² In addition, there is a host of mainly contemporary research that explores economic technicalities and also touches upon the political aspects of economic development.³ By integrating this analysis with Britain's external economic relations one can gauge why Britain and the periphery pursued separate routes after 1958.

1. The periphery and liberal multilateralism

Liberal multilateralism after 1957–8 prompted direct and indirect changes in sterling area relationships. These pertained to the regulation of financial transactions, and to the direction of capital exports and trade flows. Moreover, the convertibility of currencies greatly increased aspirations among the (ex-)colonial periphery and the sterling Commonwealth to loosen certain ties with the British economy. The mounting influence of doctrines of economic development of the 'Third World' and the continuing sterling crises of the early 1960s heightened this desire, though not necessarily the feasibility of its realization. Naturally, the potential impact of this transformation was more significant in territories that had hitherto experienced little economic liberalization, such as the Gold Coast/Ghana, Nigeria, and to a lesser extent Malaya.⁴

For the sterling periphery as a whole, convertibility was a significant break with the past. There were few incentives left thereafter to pool foreign exchange. Conversion into hard currencies, notably dollars, also became the function of the equal treatment of foreign countries with regard to exchange rules without a territory leaving the sterling area. Not least, convertibility was closely associated with moves towards greater trade liberalization. The dollar area and Japan, which had been tightly monitored for hard currency saving, became more accessible as import markets.⁵ Developmental considerations gave this trend added momentum. In South-East Asia and the Caribbean in particular, geographical proximity to sources of capital goods suggested alternative trade links.⁶ Bound up with the new trading opportunities and sterling's continuing volatility was the ability of peripheral countries to diversify their reserves and to hold part of them in dollar securities. By the late 1950s, certain sterling area countries, such as Ceylon, India and Australia, already held considerable gold and dollar reserves, while Malaya, Ghana and the colonies held none.⁷ The inclination of the last group to retain at least part of their dollar earnings, or to hold part of their reserves in dollars, was therefore enhanced.⁸ For the colonies and recent ex-colonies, convertibility also implied that the withdrawal of accumulated sterling balances above a country's reserve requirements was more likely. Meanwhile, the sterling periphery had become increasingly wary of its ability to float loans on the London money market because a widening of the access to London's capital market beyond the sterling area was implicit in Britain's new cosmopolitanism.⁹ Development finance was now a matter of prime concern.

Under conditions of sterling convertibility, the sterling periphery also exhibited an increased tendency towards expansionist economic policies, and required more resources. Peripheral countries were engaged in a development push that responded to strong social pressures. In West Africa internal pressures were marked, while income from cocoa exports was still

considerable. In Malaya, the independence government needed to meet the aspirations of the growing number of Malay rubber entrepreneurs in an environment that was increasingly hostile to natural rubber. In general terms, convertibility signalled a change towards greater freedom of expenditure after long periods of austerity. Import restrictions from hard currency areas were dismantled. Import flows were reoriented towards the cheapest sources. Development doctrines, aimed at encouraging the local private sector, advocated managing imports with monetary and fiscal means rather than with physical controls. The expansion of manufacturing also meant that protectionist measures, when they were introduced, sheltered 'infant' industries and thus differed from the trade regime in the discriminatory sterling area. Finally, imperial preference, where it existed in the empire, had become insignificant by the end of the 1950s.¹⁰

The legacy of sterling relationships set constraints to the new economic expansionism on the periphery. If a territory wished to withdraw sterling balances that were not immediately liquid, it inevitably incurred a loss. Special arrangements were required, if a territory left the sterling area. The proper strategy from the periphery's perspective was, therefore, to stay within the area, but at the same time to increase the pressure on the 'bank', namely Britain. Much of the rationale of the sterling area dissipated with convertibility and growing trade liberalization. However, by the same token, the sterling area became more attractive for members on the periphery where and when Britain enabled them to benefit from liberalization. But this diluted fundamental rules of the area, thus questioning its *raison d'être*.¹¹

Meanwhile, the shortage of external finance, in conjunction with the decline in world commodity prices in the late 1950s, enlarged the periphery's capital needs and heightened tendencies to use accumulated resources. The periphery became more inclined to run balance of payments deficits and to recast orthodox monetary arrangements in order to finance economic growth. The case of Ghana illustrates this well.¹² Moreover, the problem of securing development finance prompted peripheral countries to broaden their sources of loans and aid. US trade with Britain's (former) empire in tropical Africa remained negligible. None the less, aid from the United States was on the increase.¹³ Tying aid to US exports and encouraging the holding of dollars for reserve purposes were part and parcel of US economic diplomacy on the periphery. Ceylon had been a success story in that respect in the early 1950s.¹⁴ Germany became another alternative to Britain, for example, for Ghana and later Nigeria.¹⁵

After 1957–8, the bond with the sterling area became governed largely by the periphery's concerns with a stable currency and with the ability to import capital. However, when advantages in that respect became doubtful, the periphery adhered to the sterling group merely because it lacked valuable alternatives.¹⁶ Some peripheral countries had additional reasons to be

wary of developments in the Anglo-European relationship.¹⁷ The role which the periphery played in Britain's external economic relations thus became redefined; first, because of developments on the periphery, and second because of Britain's modified needs.

2. The liberalizing periphery and cosmopolitan Britain

Changes in the position of the periphery in the world economy acted as an impediment to Britain's attempts to solidify once again a place for the pound as an international currency. With convertibility, the sterling area's dollar pool lost its relevance. But convertibility did not put an end to the need for import restraint in the sterling area. Although the pre-1958 sterling periphery had become less important, it could still smooth Britain's transition to cosmopolitanism. British policy-makers hoped that economic development on the periphery would take place in a cautious, 'orthodox' way, that is, without impeding the established monetary arrangements and also by retaining a rural and agricultural focus. The periphery continued to fulfil an important function with respect to monetary management, through the link to sterling and the holding of reserves exclusively in sterling.¹⁸

None the less, in the late 1950s, the reduction in commodity prices burdened the balance of payments of the overseas sterling area. At the same time, cosmopolitanism effectively divested Britain of the ability to impose general import restraint by the periphery,¹⁹ and made it expedient to hold part of the reserves in other currencies than sterling. Where peripheral countries continued to hold sterling, their support was linked solely to the performance of sterling. While previously holding reserves other than sterling implied both an arrangement with the dollar pool and an infringement of good conduct in the sterling area, now only the latter applied.²⁰ Further down the road to liberal multilateralism, such good conduct was challenged by the growing irrelevance of restrictions on non-sterling capital imports towards the periphery. In the end, cosmopolitanism also did away with the imperial periphery's special title to credits by mere virtue of its status as a member of the sterling area.²¹ Significantly, the propensity of British capital exports to gravitate to the sterling area changed as new areas became more easily accessible to British investors. However, after 1958, the financial requirements of countries on the sterling periphery soared, and became even greater if the country concerned was expected to forgo withdrawing sterling balances. British development credits constituted the necessary *quid pro quo* of sterling area relationships. Yet, in practice such demands were in conflict with Britain's cosmopolitan ambitions because her ability to provide capital exports was tight and governed by different priorities.²²

In this situation, Britain required external finance for sterling area development in order to reduce demands on the overstretched London money

market. However, such aid also undermined sterling area arrangements – especially if it was tied to exports by the creditor country. The reorientation of trade after convertibility was in itself an impeding factor for Britain's international payments settlements. Such developments were in general slow, though if one takes the period from the late 1950s to the early 1970s one can observe in many (ex-)colonies a marked shift in trade away from Britain.²³ The competitiveness of British exports, too, was affected by the widening of import markets for the periphery. The glue that had bound the trade of the sterling periphery closely to Britain from the late 1940s down to the mid-1950s dissolved after 1958. Yet, even a radical move by Britain herself away from the sterling area, while blocking overseas sterling balances for example, was not feasible: it would have hastened this erosion and also have dented the international credibility of the pound.²⁴

The most worrying development for Britain was the trend in economies on the sterling periphery towards independent dollar reserves. This undermined the very basis of sterling as an international currency and was an indisputable sign of its fading appeal. Previously, Britain easily dismissed demands by the periphery for diversifying reserves towards dollar holdings as being psychologically inspired and economically unsound. At the beginning of the 1960s, however, a possible diversification of reserves carried greater conviction with independent economic observers.²⁵

At the end of the 1950s, the complementary management of the British economy and economies on the imperial sterling periphery ceased to function. Britain's postwar cosmopolitanism could not tolerate peripheral expansionism and large-scale liberalization because the recovery of sterling and Britain's economy remained fragile. Ideally, Britain required the following conditions on the periphery: balance of payments surpluses, import restraint, at least a temporary check on capital demands, limitations on the withdrawal of sterling balances and prosperous sellers' markets. However, this was far more than she could hope for.²⁶ The ideal sterling area country no longer existed, with the possible exception of some Middle Eastern oil producers and Brunei.²⁷

After 1958, any positive role that countries of the sterling Commonwealth previously played for Britain became effectively redefined as merely a lack of impediment. Among the 'old' Commonwealth countries, Australia aimed at economic expansion and at extending her trade relations with East Asia, notably Japan. The relevance of her link with the sterling area, therefore, decreased. Australia was confident to achieve a balance of payments equilibrium with hard currency markets to make good for the dollar pool allocations from which she had benefited considerably in the past.²⁸ India, by contrast, was favourably inclined towards the sterling area as long as her sterling balances were not blocked. She benefited from a stable currency, and, by mutual agreement, had been allowed to draw down her huge balances since the early 1950s within the framework of the Colombo development plan.

Moreover, since the late war period India had been granted a concession that in essence went against the rationale of the group, namely she was allowed to keep some of her own gold reserves rather than pooling them in London. Furthermore, by the end of the 1950s, Commonwealth preference, which might have prejudiced India's import priorities, hardly mattered any more.²⁹

Likewise, dependent territories, such as the Federation of Rhodesia and Nyasaland, Kenya or the West Indies, had no reason to oppose the maintenance of the *status quo* in sterling area relations. However, apart from their limited role as markets for British capital exports, these territories had not sustained the sterling area and were unlikely to play a greater role under liberal multilateralism.³⁰ The Federation had benefited from huge capital inflows from the London market and from private investors, while suffering hardly any restrictions on hard currency imports.³¹ Kenya too had been privileged in hard currency imports and borrowing.³² The West Indies had been granted major concessions in trade with the dollar area, and had some interest in preferential agreements that protected her banana exports, which were not competitive in dollar markets.³³

But the economies of the previously pivotal areas of the sterling area came into mounting conflict with Britain's economic objectives. By the end of the 1950s, Malaya's balance of payments had slipped into deficit. At the same time, the Malayan economy aimed at diversification and expansion, which implied a rise in demands for loans from the London market. In the long run, therefore, an increase in the rate at which accumulated sterling balances were drawn down – notably the considerable Malayan government funds – was expected. Moreover, important capital goods were now sought from the cheapest bidder, usually Japan or the United States, and preferential Commonwealth arrangements were disbanded in 1959.³⁴ Similarly, in Nigeria a trend was implicit in economic development that increased demands for loans and the withdrawal of balances. During the 1960s, Nigerian trade also moved away from Britain. In 1958, import licensing with the dollar area and Japan was abandoned. Eventually, import control became re-established in the early 1960s mainly to protect Nigeria's emerging manufacturing sector.³⁵ Ghana's economy too went into an expansionary phase after independence in 1957. Ghana's development plan was highly ambitious. Manufacturing and the private sector were boosted by the dismantling of import restrictions. Infrastructural projects, notably the long-held dream of the Volta dam, required huge investment. In the virtual absence of opportunities for external borrowing, and hampered by decreasing cocoa earnings, development was financed from reserves. As a result, by 1961, serious reserve problems joined a deteriorating balance of payments. Certain borrowing options then emerged which, during the 1960s, were used to finance the deficit rather than to foster development.³⁶ Moreover, Ghana's imports from non-sterling sources

increased from the mid-1950s, and the EEC became a major market for its cocoa exports. It was evident that Ghana would be hard hit by any restrictions on her exports resulting from any future association of ex-colonies with the European common market, notably by the competition with cocoa exports of the Ivory Coast.³⁷ The general trend, as these cases show, was for ties between (ex-)colonial economies and the sterling area to loosen.

3. States on the periphery change

The states on the imperial sterling periphery also underwent important changes after 1957. In that year, Britain granted formal independence to two of the pillars of the sterling area, the Gold Coast (as Ghana) and Malaya. Convertibility at the end of 1958, moreover, indirectly prompted certain institutional arrangements to become modified. Independence and multilateralism did not necessarily imply immediate institutional change. The main thrust of these changes was felt only in the course of the 1960s. However, some important transformations originated in the late 1950s and were anticipated by British policy-makers.³⁸

Currency convertibility and trade liberalization on the one hand, and political autonomy on the other, affected the peripheral state's control of the economic realm. Convertibility modified peripheral economic management and facilitated economic expansion. Access to non-sterling markets and capital became easier. The peripheral state obtained greater flexibility in the use of foreign exchange. In conjunction with economic expansion, convertibility also indirectly undermined import control, and the independence of colonies thwarted the provision of colonial finance via inter-colonial borrowing. Furthermore, economic expansion increased pressure on the currency boards by generating an increase in demands for development finance and local credit arrangements.

In principle, political autonomy also transferred economic management to the former colony. This step implied that institutional arrangements might be altered. In the realm of trade, political autonomy empowered the former colony to control import protection, within the limits of compliance with international agreements. Moreover, ex-colonies could withdraw their business from the Crown Agents. In addition, of course, ex-colonies achieved policy autonomy over monetary and financial institutions. As a result, substantial changes in the currency board system and marketing board arrangements became possible.

In reality, political autonomy did not trigger rapid institutional change. Abrupt changes in institutional arrangements and monetary policy had certain drawbacks, and the restructuring was in most cases gradual.³⁹ Even so, the divisions between Britain's needs in foreign economic relations on the one hand, and the nature of socio-economic constellations and

objectives of political elites on the periphery on the other hand, widened. Control by former colonial states over such issues as the membership of the sterling area, the currency cover and the withdrawal of accumulated sterling balances was constrained by structural and circumstantial factors, and considerations of development policy. In some cases, the very size of the sterling balances constituted an obstacle to any sudden change in allegiance to sterling. Moreover, central bank provisions, as the legal legacies of the colonial state, were designed to impede easy changes in the monetary domain. The expected economic expansion made an absolute reduction of the currency holdings also inadvisable, especially at a time of growing export problems and acute shortages of capital. Local credit creation had its limits too. Furthermore, the inherited liquidity structure of the colonial investment portfolio, combined with high British interest rates, were barriers to disinvestment.⁴⁰ At the same time, there was no way in which an (ex-)colony could influence Britain's priorities in granting access to the London money market. Formal independence did not change Britain's central position as the banker of the sterling periphery. Moreover, 'moral' pressure and appeals to Britain's responsibilities for financial assistance that a colony might have been able to exert on her were now meaningless. The leverage in the provision of capital thus depended on available alternatives which the periphery could use to defy Britain. Some alternatives existed. But, given the general liquidity problem of the international economy, the bulk of alternative capital flows did not go to the newly independent sterling periphery either.⁴¹

Yet, on the other hand, international liberalization and the political autonomy of the periphery had the potential of unsettling established economic relationships with Britain. Economic planning now aimed at the creation of national economies and the management of economic growth within the peripheral state. The precise effects of such management on Britain depended on the employed development strategy. The periphery's growing concern was import protection, because these countries mainly exported raw materials and semi-manufactured goods, which put them at a disadvantage in terms of tariffs vis-à-vis finished products that now dominated trade between industrialized countries. Certain development specialists advocated a growth strategy that included industrialization while accepting the consequences of a deteriorating balance of payments. Policy requirements included preferential access to developed markets and the protection of 'infant' industries, while still attempting to attract private capital imports. Others advocated an autarky model, similar to that favoured by Fabian socialism, emphasizing state agency, a gradual development of agriculture, self-reliance, and were largely sceptical of foreign investment. Peripheral development also actively involved monetary institutions in pre-financing domestic commercial operations, which was not feasible under British colonial monetary arrangements. Finally, some of the new

developmentalists saw a role for central banking in development, albeit a cautious one, where central banks took on functions of commercial banking in order to foster the emergence of an indigenous banking system, and by pre-financing projects in the productive sectors of the economy.⁴²

As a result, pressure for concessions within the sterling area grew and increased claims on British resources. Peripheral states tabled demands that Britain was hesitant to meet, notably on the delicate questions of holding dollar reserves or compensating holders of balances for losses they incurred from disinvestment.⁴³ In addition, the new peripheral expansionism contrasted sharply with the developmental orthodoxies adhered to by the British. Colonial economic policy had emphasized export-led growth via commodity production, whereas the new policies promoted manufacturing.⁴⁴ Development along such lines, in the long run, implied demands from the periphery for adjustments in international trade arrangements, jeopardized export flows from the developed world and ultimately created new competitors for Britain in old markets.⁴⁵

In the late 1950s, a long-term transformation in sterling relationships was anticipated in Malaya, the Gold Coast/Ghana and Nigeria. In Malaya, the British were able to cooperate with the previously economically marginalized ethnic Malays, whose entrepreneurial influence was still limited, and who constituted the main nationalist movement, the United Malays National Organization (UMNO). However, during the 1950s, this group had been the commercial elite in the making, and after independence its policies were less in tune with British expectations of smooth and conflict-free economic development. In Malaya, institutional change continued to be slow and policy changes were gradual, while the *entrepôt* centre of Singapore, where urban Chinese entrepreneurs exerted the main political influence, benefited from existing sterling arrangements. But changes were bound to come. The Malayan five-year development plan (1961–5) required a greater use of resources. With such a step the fiduciary issue was eventually bound to be used. Moreover, by 1961 the legal basis for issuing currency was in place, as were provisions that allowed the reserves to diversify beyond sterling securities. Furthermore, though Malaya's expansion moved more cautiously than Ghana's, Malaya became increasingly anxious to retain investment within the country, to support local credit institutions, and to boost a local securities market that accommodated growth. Investment in industry became actively promoted by central bank involvement in early 1960, when the Malayan Industrial Development Finance Ltd (MIDF) was founded. Hitherto, private investment flowed abroad because investment in the previously thriving commodities rubber and tin became less profitable and other investment outlets hardly existed. However, in the 1960s Malaysia (Malaya before 1963) based economic expansion on its long-standing commodity, rubber. The backbone of the economy soon became the vast section of expanding Malay smallholders rather than the

expatriate estates. This marked a radical shift from the colonial period. Malaysia pursued initiatives combining natural rubber production with the manufacturing of rubber products, thereby dodging the adverse trend on the world market for natural rubber. This development was successful in the 1960s and 1970s, when Malaysia became one of Asia's rapidly growing economies.⁴⁶

In Nigeria too internal political divisions delayed pressures on Britain for institutional changes, while existing economic ties weakened. Still, requirements for envisaged development plans and the reorientation of economic development towards industrialization indirectly heightened demands for borrowing and strained monetary arrangements and reserves.⁴⁷ As a regulative measure, therefore, the central bank, which the British formally established in 1959, phased in a reduction of the currency cover.⁴⁸ Then, in the aftermath of the country's independence in late 1960, Nigeria's Central Bank Act was amended with regard to provisions concerning, among others, the holding of non-sterling reserves. By the time of the sterling crises of 1961, Nigeria took the practical step of moving some of her reserves into dollars.⁴⁹ Both Nigeria and Ghana, in 1962, defined their currencies no longer in terms of sterling but in ounces of fine gold.⁵⁰

Ghana pressed for rapid institutional change, attempting to dismantle the shackles of the sterling area while retaining its advantages. Her relationship with Britain was rather delicately poised in the late 1950s and early 1960s. Since Ghana was denied access to the London money market, she began to finance her deteriorating balance of payments from accumulated sterling balances. This was not possible without incurring losses, given the liquidity structure of Ghana's portfolio (mostly long-term securities) and the interest rate in Britain at the time.⁵¹ Ghana urged Britain to compensate her for such losses, and repeatedly threatened to leave the sterling area. Moreover, as in the case of Nigeria, Ghana's Central Bank Act was amended in 1961 to permit the holding of non-sterling reserves. The situation was aggravated by the fact that flows from Britain to the Gold Coast/Ghana from loans, CD&W and private investment continued to be a trifle by comparison.⁵² In addition, because of the lack of an indigenous banking system, the pressure on Ghana's central bank to take up commercial banking functions remained strong at the end of the 1950s. However, radical challenges of the sterling area did not assist the internal restructuring of the financial sector. Importantly, Ghana's economic expansion under the Nkrumah government relied on expatriate business. The CPP government did not encourage the rise of a strong indigenous entrepreneurial class from the cocoa-producing regions. The government feared this would strengthen the Ashanti opposition rather than its own ranks. The government abolished the marketing boards in 1958 in an attempt to exert greater control over the cocoa sector, and used cocoa income to finance development.⁵³ Later the government regulated cocoa marketing by a state committee of clerks, small traders and

secondary school leavers, in a thinly veiled attempt of keeping cocoa merchants in the Ashanti region at bay. From 1961, international firms were excluded from the buying process. In 1964–5, the government, rather than the cocoa merchants, even launched a cocoa boycott against international firms, explicitly using the historical precedent of the 1930s as a public relations exercise to promote the Volta dam project. Imports of capital goods were stepped up in line with these development priorities, while severe balance of payments deficits became a persistent problem during the 1960s. Ghana could prevent the devaluation of its currency in 1961 only by reimposing massive import restrictions.⁵⁴ On the whole, colonial institutions crumbled and any positive benefit Britain and the sterling area derived from Ghana vanished rapidly as Ghana's policies contradicted the sterling area rationale and the country remained a member of the sterling area merely by name.

4. The policies of cosmopolitan Britain towards the periphery

Between 1957 and 1959, British policy pursued a more elaborate monitoring of the reduction of colonial sterling balances, colonial investment portfolios, and the institutions that were critical for monetary relations. Moreover, the British attempted to maintain traditional trade flows. They also made an effort to restructure aid arrangements and to postpone capital exports to an unspecified date, while retaining the periphery's allegiance to the sterling group. By the beginning of the 1960s, British attention shifted more defensively towards securing the link of peripheral currencies to sterling and allaying trends towards the diversification of reserves towards the dollar. In addition, Britain aimed at fostering political ties with the remaining empire through specific technical assistance and sporadic aid as and when she saw fit. In doing so, Britain became more closely bound up with the United States' 'Cold War' strategy. By this time, the territorial preoccupations of earlier periods had completely dissipated as the thrust of British foreign economic policy moved away from the sterling periphery towards Europe and North America.⁵⁵ On the sterling periphery, the territorial focus of British policy in the late 1950s continued to lie in Ghana, Malaya and Nigeria. But pressures on British resources were also likely to rise in colonies, such as Kenya and the West Indies.

Arguably the most serious policy crisis with a member of the sterling periphery during the 1950s occurred with respect to the Gold Coast on the eve of the territory's independence as Ghana in March 1957. The crisis pertained to the Nkrumah government's threat to leave the sterling area and to retain the country's dollar earnings unless British development aid was forthcoming. This situation even led British politicians to consider delaying the Gold Coast's independence. Some activists in the Gold Coast felt duped when they realized how problematic the withdrawal of sterling

balances was, considering the liquidity structure of the country's investment portfolio.⁵⁶ The British, by their own admission, had few convincing counter-arguments. The strongest were the technical difficulties for Ghana in trying to administer its own exchange controls, and the general credibility problem the country might face in foreign money markets as a result of leaving the area. On the other hand, misconduct in the sterling area was said to prejudice Ghana's future access to the London market and private capital flows from Britain. Sterling's problems, it was suggested, were merely temporary and the Gold Coast should show restraint in withdrawing balances until these difficulties had subsided.⁵⁷ Britain's persuasiveness was not increased by the fact that CD&W was discontinued after independence.⁵⁸ Eventually, the crisis faded largely because Ghana shied away from the consequences of so radical a move.⁵⁹ But the climate in Anglo-Ghanaian relations remained tense thereafter.

In late 1957, Ghana started exploratory talks on removing its London investments from the Crown Agents' management. The British realized that the CA's role in administering (ex-)colonial funds was bound to diminish or end before long. The Bank of England attempted to appease Ghanaian demands by stressing its concern for Ghana's self-interest and closely watched moves by Ghana on her balances and investment management.⁶⁰ The Bank's stance was helped by certain technicalities: Ghana's currency funds were at that time still part of the West African Currency Board rather than the Ghanaian central bank, and an independent body, not the government of Ghana, formally controlled the marketing board funds.⁶¹ Then, in early 1958, the Bank of England discovered to its satisfaction that Ghana's withdrawal of balances (that had taken place throughout 1957) had come to a halt.⁶² It seemed that Ghana, during 1958, was consolidating its policy and its position towards the IMF. The British, for once, were confident that the IMF members addressed by Ghana were sterling supporters and tensions would thus be eased.⁶³ Otherwise, the Bank of England was alarmed by Ghana's possible move into the dollar for reserve purposes.⁶⁴ But, these concerns notwithstanding, Britain refused to make concessions towards development finance. The Bank, in 1958, politely made it plain to Ghana that she could not expect the London market to provide loans to bridge the period until the country's long-term securities had matured.⁶⁵

The debate about Ghana's sterling area membership resurfaced towards the end of 1960. The arguments used by Britain look like a rerun of those in 1957. This time Britain was able to rely on the support of the expatriate governor of the Bank of Ghana. He alerted the Ghanaian government to the risks of further losses from liquidating securities, for capital inflows and future borrowing, as well as to the need for Ghana's currency to be linked to a major international currency.⁶⁶ Ultimately, policy-makers regained confidence that they could overcome this crisis, too.⁶⁷ Ghana's

underlying problems were unlikely to be remedied by a rapid move against the sterling area since they were bound up with the continuing tensions about domestic credit facilities. As in the early 1950s, the Bank of England offered the Nkrumah government arguments to this effect.⁶⁸

With respect to Malaya, which became independent in August 1957, British officials were confident that the government was unlikely to precipitate rapid withdrawals of balances and radical changes in monetary arrangements. Britain's record of lending to Malaya from the London market was slightly better than in the Gold Coast/Ghana, for example. However, CD&W was discontinued upon Malayan independence, too.⁶⁹ At the end of the decade Malaya also pressed for a substantial loan which was continuously delayed, for which the Bank Rate provided a convenient excuse.⁷⁰ Similar to Ghana, though less forcefully, the Malayan Federation wished to improve its borrowing prospects in exchange for a pledge to protect sterling area reserves and hard currency expenditure.⁷¹

Yet, the British feared that favourable political conditions in Malaya were unlikely to last.⁷² They attempted to prolong the *status quo* by influencing monetary management and central bank arrangements. But in 1957, Britain was already in no doubt that Malaya would eventually diversify her reserves towards the dollar, if sterling area conditions continued to be unfavourable. Anyway, this was the logical step following the diversification of the imports of capital goods from dollar markets and Japan, as British exporters seemed to be unable to capture the Malayan market.⁷³ However, Britain's achievements in 1959 surpassed her expectations of 1957. The new Malayan central bank took on banking functions while leaving the currency board unimpeded.⁷⁴ The future of currency matters was left to be decided by the renegotiation of the Malaya/Borneo currency agreement in 1960. Moreover, the British trusted the continuing influence of expatriate economic advisers in fostering a common central bank and currency in the Federation of Malaya and Singapore in order to facilitate domestic trade. Any final solution in currency matters was drawn out with this aim in mind.⁷⁵ Meanwhile, however, demands for a 50 per cent fiduciary issue had come firmly on the agenda. In addition, Malaya advocated that the currency board should be allowed to invest in dollar securities if all the participating countries of the board agreed.⁷⁶ This became the greatest obstacle to the 1960 agreement, whereas the fiduciary issue clause was conceded without much debate. The Bank of England adviser put his case strongly that, if Malaya's currency was pegged to sterling, it was only appropriate for her to hold reserves exclusively in sterling. In the end, Britain conceded the diversification clause. But the matter caused such debate that even British Treasury officials felt the delay might have damaged Britain's reputation in Malaya beyond repair.⁷⁷

British policy considerations in Nigeria resembled those in Malaya and Ghana. However, Britain was able to exert somewhat greater influence in

Nigeria, notably through the constitutional conference of 1957. Britain's principal policy aims were twofold: to phase in a central bank and a Nigerian currency that maintained the hallmarks of traditional sterling area relationships, and to keep claims for development finance in check. The Treasury was adamant that CD&W money should not be wasted on Nigeria after the country's independence.⁷⁸ The Colonial Office (kept in the dark by the Bank of England on the volatility of trustee arrangements) impressed on Nigeria the necessity of guaranteeing loans so that the country's trustee status could be continued after independence.⁷⁹ The Office also told Nigeria in 1958 that her development requirements could be met from her own resources without access to the London money market.⁸⁰ Furthermore, Britain bent over backwards to avoid shouldering incalculable risks with regard to loans that Nigeria wished to obtain from the IBRD.⁸¹ Eventually, Britain tied her own guarantee to the IBRD to a pledge by the Nigerian government not to seek finance from the London money market.⁸² With regard to currency matters, a Bank of England adviser prepared the statutes for a Nigerian central bank in 1957. The Bank, which started operation in July 1959, in principle continued the currency board mechanism.⁸³ In view of the financial pressure on London, the central bank provided for the gradual introduction of a fiduciary issue of 40 per cent over five years, which thereafter could be extended to a maximum of 60 per cent. However, there was no provision that reserves could be held in other than sterling securities.⁸⁴

Meanwhile, colonial monetary arrangements also came under considerable strain from Kenya. In 1958, the colony was granted an increase to 30 per cent of the East African Currency Board's fiduciary issue.⁸⁵ Kenya already benefited disproportionately from loans from the London money market.⁸⁶ Her privileged position continued in the framework of the 1959 CD&W arrangements, namely through the Exchequer loans scheme, and stood in notable contrast to Nigeria, where the bulk of assistance shifted to export credits to be made available after independence.⁸⁷ But Kenya sought additional finance by realizing colonial securities. Some British officials thought this was an appropriate move that would decrease pressure from Kenya for development finance. However, the Bank of England and the Treasury were apprehensive of the move's expected destabilizing influence on the market for colonial securities as a whole, and suspended Kenyan disinvestment.⁸⁸

5. Damage limitation

Britain's policy towards the main (ex-)colonies Ghana, Malaya and Nigeria, between 1957 and the beginning of the 1960s, can be explained by two basic sets of factors. First, sustaining sterling convertibility and boosting cosmopolitanism entailed difficulties. The marked improvement in Britain's

balance of payments in 1958 did not last, while constraints from outside the sterling area persisted. Concerns over capital exports prompted policy-makers to be anxious of developments that might require even relatively minor expenditures. Therefore, policy was preoccupied with protective measures concerning the sterling area, checks on sterling balances, borrowing arrangements and central bank provisions. Second, specific local circumstances prompted Britain to be wary of import liberalization and expansionist policies on the sterling periphery. The need to check demands on British resources by structural and quasi-legal means and by influencing policy remained crucial.⁸⁹

The maintenance of established trade was important for the success of a reformed sterling area because alternative trade flows had the potential of enhancing the dollar as an international means of exchange. Moreover, any radical redirection of trade disrupted Britain's international payments flows and might have delayed the recovery of her balance of payments. The opening of trade towards dollar markets, notably by Malaya and the 'old' sterling Commonwealth, came at a highly critical moment, when sterling became convertible. The British pleaded for continued import restraint and for maintaining sterling area arrangements. But British officials could do little to influence change. Some attempts for mitigation were made, however. Certain initiatives in the late 1950s promoted British exports in capital goods to the sterling periphery in areas where Britain increasingly lost out to European, United States, or Japanese competitors. Britain also took up Ghana's case to fend off expected restrictions for importers from overseas that were not associated with the EEC. Britain wished to counter the loss of important earnings for Ghana's balance of payments, but also to pre-empt illiberal trade policies. The closing of the dollar gap meant that the importance of hard currency earning by the sterling periphery as an aim in itself had decreased by the late 1950s. However, at the same time, Britain's fear of protectionism and balance of payments problems in the ex-colonial sterling periphery grew.⁹⁰

With regard to rescinding sterling area membership, British policy-makers were particularly anxious in 1957–8 that Ghana might take this course. They expected a knock-on effect, especially on Malaya, but also on colonies such as Nigeria and the West Indies.⁹¹ Moreover, such a step might well impede Britain's move towards the convertibility of sterling, of which any further delay (even more so if the reasons were plain to see) might deal sterling the final blow. On the other hand, British policy also operated under conditions of incomplete information and some fears were not borne out in practice. There existed obstacles to Ghana's withdrawal of balances in terms of liquidity and distribution of funds which gave British policy-makers unexpected leverage, as they discovered during 1958. None the less, technical leverage sometimes heightened political tension. When it turned out, at the end of the 1950s, that withdrawals of balances were gradual, British

policy was less afraid that Ghana and other ex-colonies would leave the area. Yet, in 1961 some concerns re-emerged along similar lines to the 1957–8 period.⁹²

The currency and central bank provisions which Britain encouraged during the period also fulfilled the purpose of keeping claims on British resources in check and of preserving sterling area relationships. Where these measures converged with emerging independent strategies on peripheral development, this was by coincidence rather than by design. Britain's concern did not lie with the management of peripheral national economies in their own right.⁹³ The Bank of England conceded a controlled reduction of balances in order to reduce risks for the British economy in the long term, notably by further enlarging fiduciary issues. Britain had little choice in that respect, if she wished to contain pressures that arose from the acute shortages in development finance without also stepping up assistance. However, whenever central banks began to play an active role in economic development, they moved away from the model advocated by the Bank of England. Britain was uncompromising with respect to the central banks' investment options, be it as a local agent of development, which might invite inflationary policies, or be it with respect to investment outside sterling, which undermined sterling's international role. The only tolerable exceptions were the regional financial and entrepôt centres of Hong Kong and Kuwait.⁹⁴

At the same time, Britain did not increase capital exports to the former pillars of the (ex-)colonial periphery to sustain the political cohesion of the sterling group. She was unable to do so when implementing convertibility, given her continuing balance of payments and reserve problems. Moreover, sterling internationalists were anxious that British capital exports went to areas where they played a useful role in supporting Britain's multilateral payments arrangements. This was not the case in territories that held high sterling balances. In the face of mounting pressure, policy-makers remained firm on one of the few policy options they controlled and did not concede compensatory borrowing from the London money market.⁹⁵ Wherever possible, the British aimed at arrangements under which peripheral countries would shoulder their own responsibilities with respect to their creditworthiness. Moreover, although the general situation on the London money market improved during 1959, the Bank of England rejected any loan for Ghana because it would further weaken the market for colonial loans, already under pressure from Kenya.⁹⁶ When, in 1960, Ghana suggested a multilateral Commonwealth convention to replace the trustee arrangements and to enhance borrowing prospects on the London market, the Bank was favourable to such a proposal. This would prompt the realization that the Colonial Stock Acts were illusory, without making new commitments on the part of the British government.⁹⁷ Otherwise, British policy focused on export credits instead of other forms of loans,

especially in areas in which a country's long-term allegiance to Britain was in doubt.⁹⁸

Britain's attitude towards political developments in the (former) pivots of the imperial periphery reflects the principal concerns linked to her foreign economic relations and important socio-economic changes. On the whole, Britain was fortunate with the existing political constellation, even if by that time her influence was limited in shaping economic growth strategies on the periphery. Containment on the periphery was possible because not only Britain but also the periphery were constrained in their actions. For Britain, any radical step, such as the blocking of balances, was no longer feasible because of the inevitable loss of confidence in sterling.⁹⁹ But for the periphery, too, economic expansion was hampered by structural factors, which curtailed radical political challenges. To some extent, the British were, therefore, able to retain political 'allies', if sometimes against the latter's political design. Yet, these alliances now served merely defensive purposes of slowing down institutional change, became increasingly irrelevant in terms of Britain's overall conception in foreign economic policy, or followed a rationale that was different from the earlier sterling area policies.

In Ghana, despite the assertive stance of the government, no formal break with Britain occurred, although the economic relationship eroded. The nationalist CPP was the result of delicate coalition-building by a heterogeneous elite that, moreover, had a legitimization problem because it was a political force largely separate from the merchant farmers. This situation also characterized independent Ghana. The CPP government profited from acquiring the 'political kingdom', but was also trapped between the feasibility of economic expansion and challenges from cocoa interests, which it duly proceeded to subdue. In fending off these difficulties the Nkrumah government and Britain were even able to find common ground.¹⁰⁰ However, Britain's manoeuvring had reached an impasse. Supporting Nkrumah against the indigenous economic elites was now more in the interest of Nkrumah than of Britain, and served little purpose in securing Ghana's performance and good behaviour in the sterling area. Ghana's cocoa exports still fetched unexpectedly high prices on the world market. However, now these exports became the bone of contention between the economic elite of the cocoa growers and the independence government in its strive to foster national development rather than between the British and various groups in Ghana. Unlike in Malaya, and even Kenya, in Ghana commercial entrepreneurs did not prevail in the colonial state, which was at least in part due to the legacy of British colonial policy in the Gold Coast.

Nigeria's foreign economic relations also became transformed during the 1960s. For example, Nigeria's imports from Britain fell from 42.3 per cent in 1960 to 23.1 per cent in 1974. Cocoa decreased sharply as an export commodity, whereas vegetable oils remained important. However, petrol

eventually promoted Nigerian economic development and industrialization more than anything else. None the less, in the 1960s Nigeria was still pre-occupied with internal regional divisions, culminating in the civil war in the South which impeded economic development and was responsible for the economic malaise of the late 1960s before the oil boom set in. Changes in economic institutions were first only very gradual.¹⁰¹

In Malaya, political collusion in the late 1950s was more important for Britain than in Ghana, because Malaya held a particularly high percentage of her investments in relatively liquid government funds.¹⁰² Britain was thus fortunate in benefiting from her strong alliance with the moderate Malay independence movement led by UMNO. However, the smooth political relations merely eased disputes over the sterling area legacy rather than sustaining strong economic ties. The British expected the demise of natural rubber, and the Malay smallholders began to embrace large commercial agriculture. In the 1960s, the Malaysian government gradually introduced trade and monetary policies that challenged the old orthodoxy of British sterling area management. Trade protectionism was designed to support Malaysian manufacturing. Diversification in trade went along with some diversification in the reserves and measures by the central bank aimed at preventing investment to flow abroad.¹⁰³

In Kenya, too, a notable transformation in socio-economic and political constellations was meanwhile taking place. The community of white settlers moved away from farming and increasingly into small manufacturing enterprises. This strand of the white community became organized in the United Kenya Party under Blundell and grew into an important political force. At the same time, the indigenous Kikuyu entrepreneurial elite organized in KANU pushed further into the political arena. This group could not be marginalized forever. The conflict potential between this group and the white settlers now diminished, opening the way for a deal regarding the key question of property rights in the Highlands. In a huge scheme, the land was transferred from white farmers to Kikuyu agricultural entrepreneurs, with the participation of private British business and investment schemes. As a result, Britain was able to foster a new alliance with a transformed settler elite and, albeit first very reluctantly, with the emerging indigenous economic elite. Thus, an alliance between British entrepreneur and investors on the one hand and the Kikuyu agricultural elite on the other replaced the old cooperation between empire protectionists in Britain and British settler farmers in Kenya. The changed overall context in the sterling area also played a role (even if Kenya had always been a special case) because the new alliances were in tune with Macmillan's strand of Conservatism, which was more inclined to support British manufacturing. What now became the backbone of overseas economic policy were individual deals by British firms rather than a coherent sterling area policy.¹⁰⁴

When the formal changes on the ex-colonial sterling periphery occurred and transformations became more visible in the 1960s, the whole kaleidoscope of Britain's external economic and political relations had already taken a new pattern.

6. Conclusion

This and the previous chapter have argued that coherent economic relations between Britain and the imperial sterling area disintegrated after 1957. Moreover, Britain neither had the incentives to make concessions to her (former) colonies to keep them in the sterling area in the long run, nor was she any longer in a position to do so. This critical juncture in Britain's relations with the periphery is largely neglected in historical research.

In the late 1950s, Britain attempted to re-establish sterling as the dominant international currency. This overriding concern guided her policy priorities in boosting the export of manufactures and in limiting and redirecting capital exports. On the sterling periphery, Britain was anxious to keep strains in check that ensued from economic liberalization, notably those arising from the sterling balances and claims for development finance. The European Common Market posed a threat by potentially upsetting Britain's payments settlements. Moreover, in 1958, British industry became suddenly wary about its competitiveness on the continent. Farfetched ambitions for cosmopolitan sterling foundered in 1961, when Britain needed international support to save sterling from devaluation. None the less, the Eurodollar market presented British financial circles with a profitable avenue for promoting sterling cosmopolitanism at a smaller scale.

In the (ex-)colonies, and notably in Ghana, Malaya and Nigeria, various factors converged at the end of the 1950s that impeded the group's earlier function for Britain. International liberalization prompted economic expansion. Pressures towards drawing down balances and expanding development finance mounted. Balance of payments deficits resulted from the development push and the simultaneous slump in world commodity prices. Development strategies on the periphery emerged that conflicted with colonial orthodoxies, notably by emphasizing growth strategies within national economies and by advocating manufacturing. Not least new economic elites made an impact on states on the periphery. By the early 1960s, these trends had irrevocably set peripheral development and British external economic relations on diverging courses.

Furthermore, the transformation that international economic liberalization provoked in Britain's imperial relations was not without hitches. The withdrawal of sterling balances raised the question of investment liquidity and financial compensation and added to volatility during the implementation of sterling convertibility. Reduced balances also disrupted the self-sustaining

mechanism of colonial finance via inter-colonial investment. Another important source of colonial finance – the trustee scheme – fell victim to the liberalization of Britain’s domestic financial system. Stresses on colonial monetary institutions and the link with sterling increased at the end of the 1950s. None the less, although the complementarity in imperial economic relations dissipated during the period, no sudden rupture occurred in terms of economic organization and institutions. Change was drawn out, which accommodated British concerns.

In the important (ex-)colonies, leverage in domestic economic policy was limited and political constellations contained radical reform. The political autonomy of Ghana and Malaya complicated the management of economic relations on the sterling periphery. However, their independence was not in itself consequential for Britain’s abandonment of empire. Political developments that led to the end of the British empire were closely interwoven with the changing legacy of economic relations discussed in the present and preceding chapters. The final chapter will argue this case.

Appendix

(For an introductory note on the appendices, see Appendix to Chapter 4.)

Table A.9.1 summarizes a brief evaluation by the Bank of England of the anticipated withdrawals of sterling balances by (former) colonies in the late 1950s and at the beginning of the 1960s.

The evaluation related to the ‘Littler exercise’ of 1955 had focused on immediate risks (see A.7.1). In 1958, greater emphasis was put on the analysis of what (former) colonies were likely to spend on development. Policy-makers were also concerned that demands for loans from Britain would increase once the bulk of the balances had been spent. This in turn might lead to further strains on the currency and

Table A.9.1 Bank of England: assessment of colonial development expenditure in relation to the risk of withdrawals by major holders of colonial balances after 1957 (£ million)

	‘Excess’ Balances	Anticipated Annual Development Expenditure	Local Annual Dev. Contribution	Annual Withdrawal of Balances	Period of Total Withdrawal
Ghana	80	20	5	15	5 years
Nigeria	130	50	(26)	(24)	5 years
Malaya	140	30?	?	10–15	5–6 years
Singapore/ Borneo		20	?	15	5–6 years
East Africa	65	39	(15)	(24)	<5

Source: Baker (Bank of England, Overseas Department), 9 Dec. 1957, B/E ADM 14/50.

Table A.9.2 Crown agents' investment practices and colonial borrowing (1958)
(£ million)

	(1) Total Funds Managed by Crown Agents* Invested in Stocks	(2) Colonial Stock Included In (1)	(3) (2) as % of (1)	(4) Total Colonial Stock Outstanding	(5) (2) as % of (4)
1947	335.0	46.7	13	80.0	58
1952	633.9	92.5	15	160.5	58
1953	659.0	108.5	16	184.0	59
1954	749.0	122.3	16	200.6	61
1955	822.6	125.4	15	205.1	61
1956	846.6	132.5	16	217.2	61
1957	858.9	138.0	16	234.1	59

* Total funds less cash and investment in Treasury Bills.

Source: 'Report of the Working Party on Colonial Stock Issues', Aug 1958, PRO CO 1025/112.

marketing board funds of the (former) colonies and precipitate the 'irresponsible' management of those funds. The mere holding of balances in certain types of funds was no longer seen as a sufficient guarantee of their maintenance, with the exception of sinking and certain banking funds. None the less, by that time the British government had realized that the exit from the sterling area by several countries simultaneously was unlikely, and that the inclination of (former) colonies to withdraw funds before they had reached maturity was limited. Yet, policy-makers also realized that the political desire on the periphery for rapid economic development was inescapable; 'gradualism' could no longer be taken for granted. In this development push additional self-financing would make up only a minor part, whereas the bulk would come from the withdrawal of balances and, if available, from finance raised outside the sterling area.

Table A.9.2 presents a document of the 1958 Working Party on Colonial Stock Issues. This document summarizes a technical but important concern of the Bank of England with regard to the future of the functioning of colonial finances under conditions of financial liberalization.

The table shows that the Crown Agents gave substantial support to the market for colonial loans by using colonial stock to bolster the floating of new colonial issues. This technique was vulnerable in two main respects: first, the withdrawal of colonial stock by certain territories could render the practice inoperable. Second, any large-scale support for a market which was increasingly out of favour with investors was not considered to be sound policy during the liberalization of trade and payments when Britain streamlined her financial and credit system. The Bank of England and the Treasury considered this policy to be untenable in the long run. For these issues, see chs. 8 and 9.

Conclusion

10

The End of the British Empire: A Synthesis and an Interpretation

This book has sought to illuminate Britain's ties with her empire as part of changing sterling relationships between the mid-1940s and the end of the 1950s.¹ The final chapter will present the study's principal findings and advance a new interpretation of the end of the British empire.

Between 1947 and 1958, Britain's external relations hinged on sterling relations, of which the empire was an important, though eventually fading, component. During this period, the balance in Britain's imperial connection became reset. Critical junctures in this transformation can be identified; from them a systematic pattern of the changing logic of imperial control emerges. From this vantage point, one can assess the reasons why Britain relinquished the empire at the end of the 1950s. In particular, it is possible to relate British policy assessments of the advantages and disadvantages of empire to changing sterling policy during the period.

1. Critical junctures

The first juncture of 1947–8 marked a rupture with liberalizing trends that were becoming visible in 1945 and 1946. After the independence of India, the remaining imperial sterling area became crucial in supporting Britain's external economic relations. The area was consciously managed to support the British economy by boosting exports from the colonies to hard currency areas and by restraining imports. Britain systematically promoted colonial export commodities that earned or saved dollars while relying heavily on discriminatory controls to reduce imports and hard currency expenditure. In other words, export earnings were not spent to an equal amount on imports into the colonies but accumulated as sterling balances in London. Simultaneously, Britain boosted forms of colonial economic development that suited these needs.

To an important extent, Britain's reorientation in imperial policy after the war was prompted by pressure from Washington to implement liberal multilateralism. Faced with an acute dollar shortage, the British economy was

unable to support rapid liberalization. Consequently, Britain experienced balance of payments crises which brought her to the brink of economic collapse when the convertibility of sterling failed in 1947. Discriminatory management via the empire was intended to support Britain's nascent welfare state by compensating for the insufficient level of credits from the United States. It also played a role in containing inflation in Britain at a critical moment of postwar reconstruction.

For the majority of the Labour government, this economic symbiosis was, moreover, part of a discriminatory design for an international economic order. However, for other pillars of the British polity, notably the Treasury and the Bank of England, the empire served as a temporary respite before returning sterling to its classic international role. High commodity prices during the period reinforced Britain's reliance on the empire. Colonial monetary arrangements, with their full currency cover and the limited role of local monetary and financial institutions, supported the accumulation of colonial balances beyond anticipated levels. For the Colonial Office, the novel emphasis on colonial development reflected postwar idealism and, for a while, gave the flavour of reform to colonial economic policy, making it politically and socially palatable in the colonies. Thus, as shown in chapters 4 and 5, Britain's close association with the empire was an expedient that was firmly embedded in her international economic policy during the sterling crises of 1947–52.

The juncture of 1958 defined an important discontinuity between the 1950s and the 1960s, concluding the present investigation. Currency convertibility marked the end of the discriminatory sterling area during peace-time and an important step towards the liberalization of international trade. This point irrevocably redefined Britain's economic relationships with her (former) empire. Crucial interest groups within the British polity had long been lobbying for sterling internationalism. In 1958, moreover, challenges emerging from the European common market stirred British manufacturers into action. The contemporary strand of Toryism attempted to court British industry with an active European policy while re-establishing sterling cosmopolitanism as the pillar of external economic policy. For both groups, the colonies now lacked relevance and external economic policy became disconnected from the empire. Making capital exports and sterling cosmopolitanism work implied reshaping the way in which Britain's external payments were settled and dispensing with protectionist arrangements on the periphery and at home – balance of payments permitting. Colonial sterling balances were a future liability or even an acute destabilizing factor. Policy-makers withstood new demands for capital flows to the colonies since these hampered the transition to a more liberal sterling area. Meanwhile, established mechanisms supporting colonial development finance ceased to operate, and multilateralism eroded the orthodox functioning of colonial monetary arrangements, though central banks were put

in place (or planned) to ensure that monetary orthodoxy continued after independence. In addition, convertibility enhanced the periphery's hope of achieving economic development. This peripheral development was different from the one initiated by Britain in the late 1940s and was not conducive to sustaining the sterling group under liberal conditions. At the same time, moreover, commodity prices slumped and the dollar continued to undermine sterling's role as a reserve currency. As chapters 8 and 9 have shown, a return to the old discriminatory imperial policies was neither technically nor politically feasible.

The 1960s differed considerably from the 1950s with respect to the international economy, Britain's external economic relations, and the development of states on the periphery. Britain's return to cosmopolitanism had been long in the making, and had been given renewed impetus by the Bretton Woods Agreement and the influence of the Bank of England and the Treasury. Discriminatory sterling arrangements had been only a temporary means to economic recovery. Moreover, policy-makers had realized in the late 1950s that the periphery's role in Britain's external economic relations was bound to diminish: Britain's trade and capital flows were turning away from the empire and Commonwealth; Europe became a priority, and liberal multilateralism provided alternative support to London as a financial centre. On the periphery, expansionist economic policies challenged colonial financial and monetary arrangements and restrictions on imports from the dollar area. The coherence of the sterling area had long been strained because Britain was unable to provide the empire with a sufficient level of finance from the London money market. Therefore, the British expected the periphery to use its accumulated resources in the medium term for development, though some changes were slower in coming than British policy-makers anticipated in the late 1950s.

None the less, the overall level of overseas sterling balances remained high in the 1960s and sterling area membership did not flag. However, the geographical distribution of the balances moved away from the former empire. Where balances remained high and monetary arrangements virtually unchanged, this was due to internal developments in the new states. In Malaya/Malaysia, the process of pursuing a monetary strategy independent of the sterling area was slow largely because of domestic political debates about the association with (or separation from) Singapore in currency matters. Therefore, the central bank did not take up its issuing function; no fiduciary issue was used until the mid-1960s. However, as trade flows changed, Malaysia cautiously diversified into dollars, and eventually abandoned the currency board system in June 1967, shortly before the second postwar devaluation of sterling.²

On the other hand, in Ghana large balance of payments deficits emerged, and Ghana's sterling balances (including the marketing board funds) dissipated in the early 1960s (mainly to finance the Volta dam). Provisions that

allowed the holding of reserves in currencies other than sterling were put in place. In Ghana and Nigeria too some diversification of reserves into the dollar and gold took place, the fiduciary currency margins were considerably increased, and Ghana and Nigeria defined the parity of their currencies in gold. In the early 1960s, European countries had become reluctant to hold dollars because of the dollar glut, and preferred to hold gold instead. The periphery was also keen on gold, but for these countries the dollar retained much of its appeal, given sterling's continuing problems and the legacy of their relationship with Britain.

Between 1947 and 1958 three other junctures, in 1949–50, 1953 and 1956–7, reoriented Britain's imperial ties. In 1949–50, Britain's economic relations with the empire converged further as the combined result of the devaluation of sterling and the Korean War a few months later. The 30 per cent devaluation was designed to remedy Britain's continuing balance of payments problems by improving the export prospects of British manufactures. With regard to the empire, devaluation was relevant because it increased import prices, made sterling sources more important and thus intensified the need to regulate imports and dollar expenditures. The Korean War boom, which most notably affected Malayan rubber and tin, considerably enhanced the dollar earning capacity of the colonies. Supported by import controls, the colonial sterling balances soared to unexpected heights. This cushioned the dollar shortage and eased sterling balance of payments crises.

Meanwhile, however, some important colonial development schemes failed. Moreover, discriminatory sterling management was nearing its limits in terms of the feasibility of import restraint and the saturation of export markets. By 1953, the discriminatory management of empire had been severely damaged. To make things worse, Britain's very success in discriminatory management, in conjunction with the commodity boom, promoted political discontent on the periphery. Facing continued austerity, some political activists, especially in West Africa, now saw the pre-eminent role of the colonies in dollar pooling as evidence of Britain's failure to deliver adequate development.

The year 1953 thus marked an important juncture in terms of imperial economic policy. The Conservative government, in power since 1951, had by that time firmly set its sights on sterling internationalism and a liberal welfare state. This prompted the realization that the high level of colonial sterling balances might pose serious problems for Britain's volatile balance of payments and reserves under a future design of liberal multilateralism. Policy-makers considered how best to protect British resources. They attempted to slow down and control the move towards economic self-government in the empire. Consequently, the economic relationship between Britain and the empire diverged. From this juncture, British policy aimed at reducing the colonial sterling balances, while retaining the option

of discriminatory policies for times of crises, and also scaled down the colonial development drive to very specific needs of the sterling area. The new policy reduced the full colonial currency cover by a modest amount and approved development loans from the London money market only when balances had been used first. Doubts emerged as to whether liberalization was ultimately reconcilable with the self-sustaining mechanism of inter-colonial borrowing. The British were also wary of soaring demands for development finance that ran counter to their modified external economic objectives. Capital flows to areas rich in sterling were undesirable. Given the move towards convertibility, they increased the risks for sterling, even if they temporarily backed the balance of payments. Meanwhile, as shown in chapters 6 and 7, moves towards multilateralism had an impact on imperial relations when pressures from the periphery for changes in monetary arrangements and the liberalization of imports gathered pace.

The winter of 1956–7 was a juncture for imperial relations since the Suez crisis provoked a serious reserve crisis for sterling at a time when Britain's move towards convertibility was irreversible. In addition, policy-makers feared that the independence of the important sterling area members, the Gold Coast/Ghana and Malaya in early and mid-1957, might unleash new claims on Britain's resources. Suez redefined the priorities of Britain's external economic policy and made plain to policy-makers that she had to rely on her own (limited) resources. The British stepped up numerous policy reviews to reassess Britain's external economic relations after Suez. With regard to the colonies, these reviews revealed that the problems of the considerable level of colonial sterling balances and the rising demands for colonial development finance remained unresolved or had worsened. From this point, British policy focused on streamlining the sterling area relationship and fending off possible threats to convertibility. The British virtually suspended colonial loans from the London market, dismantled protective mechanisms for colonial finance, and targeted capital exports towards growth areas outside the empire. The looming commodity slump shattered any positive role for the colonies in the sterling area. Caught between the inescapable convertibility operation, reserve problems and dismal options of external aid, policy-makers became exercised by Malaya's and Ghana's economic policies, given their still considerable sterling holdings. Suez dented sterling's reputation and also Britain's confidence that the periphery's allegiance to the sterling area was cast in stone. As discussed in chapters 8 and 9, the Suez crisis imposed considerable strains on Britain, and heightened British awareness of the contradictions between Britain's liberalization and established imperial economic relationships. Interpretations that seek to minimize the significance of the Suez crisis are not borne out by this study.

Across the period under review the above junctures mark out continuities and discontinuities in the essential areas of Britain's imperial economic policy: trade, finance, development and economic organization.

In summary, Britain's trade policy in the sterling empire moved from modest liberalization in 1945–6 abruptly into discriminatory management which lasted until about 1954–5. A gradual liberalization followed which, however, became substantial only after 1958. Britain boosted colonial development in commodity production and infrastructure, particularly between 1947 and 1951, by which time the state's initiative in promoting development faded. The bulk of the colonial loans from the London market and CD&W was allocated in the early 1950s. After 1953, a return to self-financing was tied in with the withdrawal of the colonial sterling balances. After 1958, Britain put greater emphasis on export credit arrangements, abandoned support for the loans market and phased out CD&W after the independence of colonies.

In terms of international economic organization, British policy forged an imperial protectionist bloc between 1947 and 1953 as an alternative to a closer association with the United States or Europe. From the early 1950s, Britain moved deliberately towards convertibility and a liberalized sterling area. This move, after 1957, necessitated the greater reliance on Britain's own resources and the recognition of the need to foster closer ties with Europe. Policy on monetary and marketing arrangements, and from about 1953 Britain's attitude towards peripheral demands for colonial central banking, were largely judged against the need of securing the accumulation of the sterling balances. Subsequently, policy focused on reducing the balances by monitoring their use for development, and eventually merely on delaying claims.

2. Sterling relations and imperial control

The discriminatory running of the sterling area during the critical period of the 1947 convertibility crisis shows just how crucial political control in the empire was for British policy. Direct control proved decisive with regard to radical import restraint, the planning of imports and dollar expenditure, and the allocation of development resources. Moreover, control over marketing and currency arrangements was a vital stabilizing factor for such a policy. Britain depended on policy alliances across the sterling area in countries which could sell dollar-earning produce and expand commodity production. Demand on the world market determined that Malayan rubber, West African cocoa and Australian wool fetched high export prices and could be sold in the dollar area. But, the pillars of the discriminatory sterling area were ultimately determined by factors of political control, even if Britain at that time still had some success in securing the allegiance of the independent sterling group. In the West African empire and Malaya, political obstacles to discriminatory policies were believed to be minimal, and Britain was able to rely on the colonial state and its administration. British policy in West Africa could still brush aside unofficial members of

legislative councils or marketing boards.³ The Malayan Emergency made colonial policy more difficult, but Britain's good relations with the Malay elite, together with boom conditions for rubber, guaranteed a relatively smooth running of the territory's economy. Urban elites, moreover, welcomed the development drive.

None the less, discriminatory arrangements were not entirely unproblematic. In the Gold Coast, restricting imports of textiles too rapidly was an important contributory factor to local protests.⁴ The more effective import controls and dollar earning became, the stronger also the pressure from export-oriented indigenous entrepreneurs, who felt that the domestic financial system did not accommodate their needs. Commercial cocoa producers in the Gold Coast became increasingly aware of their dollar-earning capacity as opposed to the fixed-price regime of the marketing boards. Malayan plantation and smallholder production proved to be easier to manage. In 1947–8, colonial policy somewhat hastily responded to an economic emergency. Subsequently, colonial economic policy became more refined as officials realized where political control in the empire mattered most.

The 1949 devaluation increased the cost of imports from the dollar area in terms of sterling. Greater import stringency was needed to retain the export effects of the devaluation and to maximize the value of the Korean commodity boom at the sterling area level. Policy needed even more regulatory leverage than before 1949; political conditions either smoothed or impeded such leverage. Favourable conditions soon faded in the independent Commonwealth, Rhodesia and Kenya, but persisted in the Gold Coast and Nigeria, as well as in Malaya in spite of the Emergency there.⁵ In the late 1940s, consumer goods imports were confined to a relatively small urban population. Development finance was centrally regulated and excluded local authorities and the indigenous private sector. The self-financing of development was feasible, as was the maintenance of orthodox colonial monetary arrangements, which supported austerity. Moreover, Britain was able to circumvent political pressures on the periphery by political reform, as the case of the Gold Coast shows.⁶ Colonial constitutional advance became not only acceptable but was deemed necessary. British policy-makers were keen to use the political opportunities that the empire offered for the management of the sterling area.⁷ However, the success of these policies owed as much to chance as to design. Moreover, in the late 1940s few policy-makers fully realized the precise role played by colonial monetary and trade arrangements in maintaining the sterling balances during a commodity boom. The commodity boom and the feasibility of discriminatory policies in the empire proved a temporary blessing, which soon turned into a liability, both literally and figuratively.

By 1953, the exorbitant level of the colonial sterling balances had diluted Britain's confidence in controlling political risks in the empire while moving more decisively towards her long-term objective of sterling convertibility.

Recent research on the sterling area has given insufficient emphasis to the political volatility of the colonial sterling balances.⁸ Colonies needed to be enticed into using their accumulated balances. But withdrawals had to be adjusted also to Britain's precarious balance of payments. This necessitated a firm grip by Britain on the various policies that affected the balances. Some officials believed, wrongly, that a considerable part of the colonial sterling balances resulted from British capital exports to the colonies.⁹ Restraint on new development finance was, therefore, bound up with the cautious use of balances for development. This was politically tricky: it appeared to stifle the recently launched development drive by blocking loans on the London market, while doing no more than keeping ajar the possibility of development finance from the balances. Similarly, the modest reduction of the currency cover, which facilitated withdrawals, risked inviting demands for a large reduction in accordance with the practice of the independent Commonwealth.¹⁰ This situation had a vexed corollary: territories which had not played a crucial role in discriminatory management (and had few balances to draw upon, such as Kenya) were given priority in capital exports to prevent them from undermining colonial monetary arrangements by demanding an extension of the fiduciary issue.¹¹ Thus, it became more difficult to achieve the form of control Britain required, particularly in the Gold Coast. But formal concessions in currency matters allied to constitutional reform allowed Britain to retain substantial control of currency and marketing arrangements. Britain's reliance on nationalist support had a similar effect. Britain marginalized indigenous commercial entrepreneurs involved in commodity production by favouring state-led smallholder production, and sought allies from among political lobbyists isolated from economic interest groups.¹² With regard to the sterling balances, policy measures were over-cautious to the point of being ineffective, while continued import restrictions became the target of increasing criticism, even from local colonial administrations.

In the aftermath of the Suez crisis of 1956, the British discovered that the colonial sterling balances had remained at a very high level.¹³ The lack of alternative support for Britain's balance of payments and reserves made releases of balances problematic. Ideally, Britain required self-restraint on the periphery to keep the sterling area going and to pre-empt moves against sterling by the withdrawals of balances or the retention of dollar earnings. The large holders of colonial sterling needed to be persuaded to phase the withdrawal of balances and to adhere to orthodox colonial monetary arrangements at a time when there was a virtual moratorium on development loans. The independence of the Gold Coast and Malaya, both in 1957, complicated this situation because it effectively impeded inter-colonial borrowing. The liquidity of investment portfolios was a problem with respect to Ghana, though not Malaya. Moreover, Britain needed to curtail the disinvestment of colonial stock, notably by Malaya and Kenya, because

it had an adverse effect on the market for colonial loans. Fortunately for Britain, Malaya did not intend to move in this direction and Kenya could be told not to do so. The situation was more critical with regard to Ghana. However, policy-makers began to examine strategies of informal influence as an alternative to direct control. As the banker of the sterling area, Britain had some leverage in applying sanctions to 'rogue behaviour' in the sterling area, or at least in making it plain that this entailed a penalty.¹⁴ Due to their technical expertise, the British were also still able to exert a degree of informal influence on policy choices in newly-independent countries, especially on central banking.

The official convertibility of sterling in 1958 greatly reduced the effectiveness of direct political control. Direct control could still secure colonial allegiance to the sterling area's unwritten rules concerning the sterling balances, reserves in sterling and trade policies. This ability still had some importance in reinvigorating sterling internationalism in the face of balance of payments problems. But, in principle, sterling internationalism implied control via the appeal of a sterling-based international payments system to which Britain held the strings.¹⁵ In order to function properly, this system required a high degree of complementarity between the British and peripheral economies. After convertibility this no longer existed. Trade and capital exports shifted increasingly to the industrialized world and to growth areas outside the empire and the newly independent colonies, while commodity prices slumped. Consequently, Britain had few incentives to provide compensatory capital exports to these areas; conversely, the periphery had little positive incentive to adhere to sterling area rules, and was inclined to recast protectionist measures to suit its needs. Britain's needs had also changed; she now required influence mainly outside the empire and the newly independent colonies. In the (former) empire, notably Ghana and Malaya, Britain tried to counter harmful moves in economic policy rather than seeking to foster new forms of economic cooperation. British policy towards development aid mirrors the new expedience of economic as opposed to direct political control after 1958. Policy moved away from direct bilateral aid and London market issues towards export credits and multilateral arrangements. Britain's continuing concerns were also reflected in her attempts to direct central banking policy in Nigeria, Ghana and Malaya via currency negotiations and legislation.¹⁶

3. The rationale of Britain's retreat

No facile link exists between patterns of economic change and control and the end of colonial rule. Important changes in the international state system often result from large-scale armed conflict.¹⁷ However, the independence of British colonies after 1945 did not occur in such a way. Nor did Britain have a planned long-term policy approved by the government

and Parliament for withdrawing from empire. Her sudden retreat during and after 1960 contradicted the doctrine of emancipatory gradualism (employed since the independence of the 'old' Commonwealth) to which Africa had 'graduated' only after the war.¹⁸ At this stage, the independence of the colonies resulted from one major policy decision. The decision was driven by the nature of the British polity and government and the close link during the period between Britain's international economic management and imperial economic relationships.¹⁹ Broadly speaking, the British system of government emphasized consensus politics and bipartisanship. Interdepartmental committees were crucial, especially when technical matters figured prominently. Here, problems arose in imperial economic policy which had the potential to overturn Britain's basic attitudes towards the empire. These problems could not be overcome merely by moving towards self-government, as had been the case since the mid-1940s, or by forging a new economic alliance with the colonies. However, Macmillan did not advertise his decision once he had reached it because Britain's retreat from empire was bound to be most unpopular with the backbenchers in the Conservative Party. Moreover, some well-known Conservatives were still ardent imperialists and had not yet reinvented themselves as 'Little Englanders', as was the case in the 1960s. Perhaps most importantly, Macmillan did not have a popular mandate until the general election of 1959.

By the mid-1950s, discriminatory sterling management with its emphasis on the empire, had run its course. For technical reasons alone, trade flows could not be redirected further towards hard currency markets and import restrictions not be tightened further. Britain's economic relationship with the empire was becoming a victim of its own success. Holding on to existing trade restrictions was hardly feasible in view of both Britain's move towards convertibility and increased future claims on the sterling balances.²⁰ Meanwhile, the development push on the periphery inevitably raised financial requirements in areas that were not conducive to the needs of the sterling area. Moreover, a liberal money market was unlikely to meet such demands at the required level.²¹ Traditionally, the empire served as a safe haven for British investment and had been supported by protective arrangements, such as the trustee schemes. But the empire no longer inspired the confidence of investors, while support for the market for colonial loans had no place in Britain's streamlined liberal financial system at the end of the 1950s. At this point, and for the first time, Britain became keen on attracting US investment in the colonies. In the discriminatory sterling area, direct political control helped to implement the measures that supported hard currency earnings and savings. In the reformed sterling area, however, such direct control was less feasible; moreover, it contradicted the very design of cosmopolitan sterling relations that was emerging in the late 1950s.

The independence of the Gold Coast and Malaya was the result of traditional British gradualism.²² Policy-makers had hardly anticipated, even by the mid-1950s, that formal independence might markedly impede the role these territories would play in the sterling area. The contradiction that this entailed became plain in 1957. The independence of the two territories, scheduled from about 1956, took place in a transformed context. The Suez crisis refocused Britain's attention on solving her balance of payments problems on her own. The convertibility operation could not be delayed much longer in case confidence in sterling was severely harmed. Consequently, the Gold Coast's attempt to profit from Britain's weakness by pressing for a rapid withdrawal of her balances shocked the British officials. But there was no renegeing on the commitment to independence either.²³ To have done so would have sent an unmistakable signal about the state of the pound to international investors and speculators. Moreover, extending colonial rule would not have dissipated lobbying on the balances issue. Britain was fortunate that conditions in Malaya were more accommodating. But the independence of the Gold Coast and Malaya also marked the end of Britain's emancipatory imperial deal. Thereafter, the independence of the remaining British colonies was decided on a different basis.

By the end of 1958, the convertibility of sterling had been introduced.²⁴ As a result, Britain, for better or worse, had to put up with changes in trade and capital flows which shaped a transformed sterling area. Meanwhile, the big investors in the City of London discovered in the Eurodollar market the prospects of a profitable outlet as an alternative to sterling area investment. In 1958, too, Britain's balance of payments had made a recovery, albeit temporary, and the dollar gap had closed. On the periphery, balance of payments deficits emerged, when the slump in commodity prices intersected with economic expansionism induced by state-led development plans. The latter inspired increased trade with the dollar world, and encouraged the holding of dollar reserves. Meanwhile, pressure on the sterling balances persisted. None the less, with regard to the important ex-colonies, the acute crisis of 1957 had been allayed by 1960 because substantial balances had been gradually withdrawn by Ghana, whose economy was by then in dire straits. Moreover, the British felt secure with the continuing close allegiance of Malaya. With regard to the monetary arrangements in the (former) colonies, substantial modifications had been accepted and gradually phased in by 1960.²⁵

The colonies occupied an increasingly awkward position in Britain's European policy.²⁶ By 1960 Britain had to find some accommodation with Europe, even if this meant joining the EEC. Europe had grown into a crucial market that Britain's manufacturers and investors could not afford to ignore. The reconciliation of sterling cosmopolitanism with policy towards the European Common Market proved vexatious. Britain's key concern continued to

lie with keeping agriculture and the Commonwealth out of European arrangements in order to protect sterling area settlements. Given this situation, the British had little to offer the periphery as an incentive to support a cosmopolitan sterling group. This contrasted with France's close association of its ex-colonies in the field of European agricultural policy as part of the franc zone.

In addition, the problem of colonial development finance reached an impasse at the end of the 1950s.²⁷ Major means of raising colonial finance disappeared when the sterling balances diminished and Ghana's and Malaya's investment funds could no longer be used for inter-colonial investment. Moreover, the reform of trustee law (accepted by the Bank of England since mid-1957) channelled institutional investment away from the colonies. The London market was not prepared to give preference to loans to the empire, especially Africa; the British government, in pursuit of sterling cosmopolitanism, had little incentive to compromise her liberal policy priorities.

These diverse factors show that Britain's economic relationship with her (former) empire lacked real potential after 1958. More importantly, problems arose which suggested that Britain would benefit from abandoning colonial rule. This can be seen clearly from the policy assessment of 1957 – one of two main policy assessments on the subject.²⁸

Late in 1946, the Economic Section of the Treasury had weighed the pros and cons of withdrawing from the empire.²⁹ Gains might result from economies that Britain would make in scrapping colonial administrations and also in reducing certain defence commitments. By contrast, 'jobs for the boys' would inevitably be lost. The Section also stressed that Britain needed to ensure the controlled withdrawal of colonial sterling balances accumulated during the war. In 1946, however, the comparatively low level of colonial sterling balances outside India meant that phased withdrawals in most territories were relatively unproblematic.³⁰ This policy was in line with Keynes's advice: he had advocated accumulating balances during the war, but warned of the consequences of such a strategy in peace-time.³¹ But, as the present study has amply demonstrated, British policy, in connection with the 1947 crisis, took precisely the opposite course from what the Economic Section had suggested a year earlier.³²

The assessment of mid-1957 contrasts with that of 1946 in its context and relationship to contemporary policy initiatives. In January 1957, in the aftermath of Suez, the newly installed Prime Minister Macmillan (formerly the Chancellor of the Exchequer) asked the Colonial Policy Committee for an assessment of constitutional development in the colonies and for some cost-benefit account on 'abandoning' the empire.³³ This assessment argues that Britain might gain some advantage in withdrawing from the empire in two ways: by economizing on colonial loans including CD&W allocations, and by capitalizing on political reform in territories that had reached

a certain degree of internal constitutional development to strengthen ties with the periphery. However, the appraisal was adamant that any transfer of power must take place in an atmosphere that did not impede Britain's sterling policy. The colonial sterling balances were assumed to be under control since only a limited part of them was disposable. But the currency cover had to remain high, and existing trade relations must not suffer. Provided these prerequisites were met, changes in colonial rule did not matter from the perspective of Britain's external economic policy. In this sense, the 1957 assessment belongs to the 'old' tradition of British gradualism.

None the less, it needs to be emphasized that the Treasury and the Bank of England did not share the Colonial Office's conservative definition of vulnerable funds. The statistical assessment also varied in different territories, and limited liquidity was not necessarily a protection against claims on the balances, as the case of Ghana showed.³⁴ Moreover, at this point there were still doubts as to which territories would qualify for independence as Commonwealth members and which were fit merely to achieve internal self-government.³⁵ Even as late as May 1957, the government refused to commit itself on the issue of Nigeria's independence.³⁶ Officials were still strangely confident (or out of touch) and continued to believe that local majorities (with 'proper guidance') would subscribe to Britain's policy requirements.

Interpreted in the wider context, the 1957 'cost-benefit' assessment on empire implied that it might be advisable to abandon colonial rule. In the course of 1957 and 1958, pressing financial problems piled up that raised questions about the future of the empire. Throughout the period 1946–60, the overall retreat from the empire never figured in Cabinet Conclusions, while individual colonies hardly mattered for Britain's key policy-makers. Policy was mainly designed by crucial interdepartmental committees and then approved and carried through in bits and pieces. In this respect, there existed a close link between the actual initiative of withdrawing from the empire and the financial theme discussed in this study. The 1957 assessment of empire links up neatly with important debates and judgements in the Economic Policy and Economic Steering Committees, as well as with Cabinet decisions. The central issues concerned sterling policy and the streamlining of the sterling area, Commonwealth development and finance, as well as capital exports in general.³⁷

By 1957, these bodies had become aware of the imminent claims on British resources in relation to liberalization and economic changes on the periphery. It became clear that day-to-day policy-making ought to take into account the fact that Britain had to carry this burden in order to maintain the sterling area and sterling as a key currency of international exchange.³⁸ After Suez, colonies needed to exercise continued restraint in economic policy. This was realistic only if a certain level of development finance was

forthcoming.³⁹ The British government, however, had other priorities, namely areas of growth potential which received limited financial flows. Therefore, it was argued, Britain ought to take a cautious view of bilateral aid, discontinue CD&W as well as the operation of the CDC after a country's independence, and focus on flexible ad hoc arrangements.⁴⁰ The legacy of the sterling area and Britain's continued commitment to a strong pound also prompted the government to seek to exclude overseas territories from a European free trade area.⁴¹

Meanwhile, Britain sought alternative holders of sterling balances, such as Kuwait,⁴² and alternative sources of capital for the colonies. Raising loans collectively at the level of the Commonwealth, however, did not turn out to be feasible.⁴³ A special body was established to supervise external investment.⁴⁴ The British deemed it necessary to skirt the issue of independent dollar and gold reserves at Commonwealth discussions and even encouraged other Commonwealth countries to shoulder part of colonial finances.⁴⁵ Problems with the functioning of (ex-)colonial currency arrangements became more acute. The contradiction between cosmopolitanism on the one hand, and colonial economic arrangements and aspirations on the other, then dawned on policy-makers. Recent developments encouraged this change of mind. These included the discussions about the Ghanaian sterling balances and the liquidity of the Ghanaian investment portfolio, pressures for non-sterling reserves, the virtual collapse of the market for colonial securities and that of the inter-colonial borrowing practices that had supported the market for colonial loans.⁴⁶ After 1958, the problem of providing capital to the periphery worsened. This situation is reflected in the Cabinet Conclusions on overseas investment and Britain's balance of payments. Consequently, Britain reoriented policy towards international lending for development projects, and credits were tied to British exports.⁴⁷ Investment options were also extended at home; these further reduced capital flows to the colonies.⁴⁸ At the same time, policy-makers also realized that claims from (ex-)colonial balances were drawn out over a considerable period; so their burden on British resources became manageable.

Thus the imperial connection had come full circle since 1946. The underlying logic of the 1957 assessment suggested that abandoning colonial rule was advisable either to achieve a gain, or to preserve strong economic ties with the Commonwealth after independence. By the end of the 1950s, the imperial link had also become largely irrelevant: a smooth transition from empire appeared to be possible. However, no profitable option for a new deal with the (former) empire was apparent, given Britain's transformed requirements in an environment of liberal multilateralism. We can now see the reasons for this discontinuity, which has puzzled historians for some time.⁴⁹ By early 1959, Britain's pragmatic policy towards the empire as part of her external economic relations had shifted

into a conscious assessment of the merits of imperial retreat, for which a clear-cut policy gradually emerged. From this point onwards, British policy sought a way to order the crucial problems that remained. The precise timing became a matter of the expedience of diplomatic and public relations. At the end of 1958, the Prime Minister himself took over the chairmanship of the Colonial Policy Committee.⁵⁰ Britain pursued a calculated policy aimed at delaying changes in currency arrangements in the remaining colonies. This policy focused on Nigeria, which stood between the old gradualism and the new planned move to decolonize.⁵¹ By 1960, an unofficial timetable had emerged with respect to independence dates, including of course Nigeria. The timetable was greatly helped by the fact that nationalists were enthusiastic about political independence, and sometimes even astonished to get it now so quickly. From 1960, negotiations became a matter of technicalities and of constitutional discussions led by the Colonial Policy Committee with the aim of guaranteeing a smooth transfer of power. This move affected all except very small colonies and included the colonies of settlement, Kenya and Southern Rhodesia.⁵²

Power was transferred not only after the remaining empire as a whole had become largely irrelevant to Britain's external economic relations, but when serious problems had emerged in the economic management of the empire.

4. Explanations revisited

The above reinterpretation of the end of the British empire revises existing academic and popular explanations of the subject.⁵³ The essential differences can be pinpointed by contrasting the characteristics of the traditional view with the interpretation advanced here. First of all, however, the geographical limitations of the present re-evaluation need to be made explicit.

The relatively small strategic outposts, such as Cyprus and Aden, clearly elude an explanation of Britain's retreat from the empire that is based prominently on economic relationships. However, it is worth emphasizing that empire ended when the technological changes of the missile age prompted shifts in military strategy and geopolitical control, and when Britain moved towards a closer strategic alliance with the United States, partly necessitated by cuts in military expenditure.⁵⁴ The Sudan requires a separate explanation because it was closely bound up with Anglo-Egyptian relations. The important entrepôt, Hong Kong, too, held a special economic status in the empire, and colonial rule there followed a peculiar rationale. Other major territories, namely the West Indies, Rhodesia and Kenya, stood on the margins of the imperial sterling area for most of the period. They were of little consequence to the main thrust of Britain's relations with the empire, even if they played a more prominent role in

Britain's foreign diplomacy. The settler colonies held a privileged position in the sterling area, and it was not necessary to hasten political reform towards independence. By contrast, in the Gold Coast, Malaya and Nigeria, political reform was entwined with the continued viability of these territories for the sterling area. After 1959–60, however, changes in the imperial relationship affected the economic management of all the (former) colonies (except the strategic outposts), irrespective of their importance for the sterling area.

If one now sets the interpretation of this chapter against the basic explanations available in the literature for the end of the British empire, one gets the following picture. 'Planned' decolonization in an ordered quasi-legal sense did not take place. The piecemeal transfer of power became a systematic policy only from the beginning of 1960,⁵⁵ and ought not to be confused with moves towards local self-government or the granting of independence to individual territories earlier.⁵⁶ Britain's Colonial Secretaries Lyttleton and Lennox Boyd had drawn a clear distinction between internal self-government and independence: the former was thought to be inevitable, the latter had to be retarded in West Africa and avoided in East Africa.⁵⁷ Constitutional reform monitored by the Colonial Office, however, was part of Britain's running of the major colonies. Within this context sterling relationships were subject to supervision, though the effects of this engineering owed much to mere coincidence. Beyond this implicit gradualism, constitutional reform did not constitute a phasing out of colonial rule.

The impact of colonial nationalism, often understood as a force that ultimately ousted the British from the empire, needs to be qualified, too.⁵⁸ Nationalism only really altered the main thrust of British policy when and where it obstructed vital imperial sterling relationships and the colonial institutions related to their management. British attitudes towards different groups of nationalists in the Gold Coast are instructive in this connection. In the Gold Coast and Malaya, Britain's concessions to nationalist demands assisted sterling area management. In other territories, and by 1960 in general, nationalist activism had little impact on Britain's external economic relations, though it remains relevant to the bargaining that accompanied the final moves to independence. Moreover, Britain's retreat from the empire in 1960 was unexpected. The vanguard of nationalist activists and colonial administrators assumed that independence would occur on a long time scale that differed in each colony. Some colonial officials thought that Britain's withdrawal was both hasty and a let-down for the colonies.⁵⁹ Ironically, changes in British policy largely unrelated to peripheral pressures conferred 'success' on colonial nationalism in many colonies. Consequently, the former colonial power was ready to join local activists in saluting the ultimate triumph of self-determination. However, with the emergence of new commercial elites, the socio-economic constellation

in many colonies was in the long run in conflict with the way Britain had traditionally ordered her relations with the imperial sterling area.⁶⁰ In this sense, social and economic change and their political manifestations came into conflict with Britain's imperial design.

Similarly, peripheral crises were not *per se* also crises of the imperial relationship, as is sometimes assumed.⁶¹ The Malayan and Mau Mau emergencies (officially from 1948–60 and 1952–60 respectively) certainly counted among the critical episodes of colonial rule in individual territories. But, the Communist insurgency in Malaya did not substantially hamper rubber production and dollar earning, and British policy-makers were not unduly concerned that it would. British worries about defence costs were dwarfed in comparison with Malaya's pivotal role for the sterling area.⁶² Mau Mau was a Kikuyu civil war related to economic change resulting from colonial land policies. Ultimately, Kikuyu commercial entrepreneurs obtained control over the colonial state. This was not what the British originally had wished, and it fundamentally transformed the nature of the alliance between Britain and Kenya. None the less, Kenya had been rather marginal for Britain's sterling relationships. In contrast, the Accra riots in the Gold Coast of 1947 occurred in a crucial part of the imperial sterling area in the aftermath of the convertibility crisis. But, rather than frightening the British out of the empire, the riots signalled the discovery of political reform as a means of securing the territory's cooperation with policies for protecting sterling; and even Nkrumah's nationalism proved to be accommodating, albeit only temporarily.⁶³

At the opposite extreme stands the view that Britain's 'decline' as a great power led to the 'abandonment' of the empire because she was too 'weak' in political or economic terms or because the empire was too 'costly'.⁶⁴ Such an explanation wrongly assumes that empires are retained by buoyant economies and shed by frail ones, that the British empire was a liability, or that the viability of the periphery was a necessary consequence of colonial rule. However, developments during the period amply demonstrate Britain's reliance on the imperial sterling area during postwar economic recovery. This worked well for a time. Eventually, economic liberalization and Britain's attempts to re-establish cosmopolitanism prompted the redeployment and restructuring of internal and external economic relations. Economic weakness, defined, for example, by comparative economic performance, or costs, is, therefore, an insufficient measuring device for the end of empires.

Anti-colonial lobbying in international bodies, too, was of little consequence for the end of colonial rule and is traditionally overvalued.⁶⁵ The emergence of the notion of self-determination in international relations ought not to be confused with the move towards the abandonment of colonial rule or the independence of individual colonial territories. In any case, Western domination of the United Nations held such pressures at

bay. India and Ceylon did not attack the crucial economic issues in Commonwealth economic conferences; these were different for them and for the remaining empire. After the Bandung Conference in 1955, non-aligned anti-colonial rhetoric in the United Nations, particularly from Indian delegates, prompted demands by the Colonial Office to give British colonial rule a positive image.⁶⁶ But the crucial British government departments took this in their stride, either because the criticism was too general to be acted on or later because the empire's role was fading. However, Macmillan's celebrated 'wind of change' speech at the beginning of 1960, though it was delivered prior to the anti-colonialism resolution passed by the General Assembly of the United Nations in December,⁶⁷ seems to have owed something to Britain's desire to recapture the moral high ground in line with the new Kennedy administration in the United States. With this scoop Macmillan salvaged an embarrassing episode in British overseas relations.

Likewise, within Britain, anti-colonial pressure groups were rather weak and anyway had little influence upon policy-making.⁶⁸ The relevance of technical details heightened the role of civil servants as opposed to politicians and interest groups. Moreover, imperial policy was part of Britain's wider sterling policy, and this created problems that could not simply be cast aside.⁶⁹ Lobbying was, therefore, almost irrelevant. Fabian opinion had some influence on shaping political reform in the colonies and particularly on approaches to colonial policy, but not on the retreat from empire.⁷⁰ Similarly, as the empire became less important for Britain's external relations, pro-empire lobbyists were generally ignored by development policy-makers. However, Britain did make sporadic concessions to lobbyists, namely in respect to Hong Kong and Kenya, and settler lobbyists played a role in the transfer of power negotiations.⁷¹ On the whole, proponents of sterling internationalism and advocates of closer ties with Europe were much more influential than defenders of a protectionist empire. It is therefore not so puzzling after all that a Conservative government phased in the retreat from colonial rule.

Two remaining arguments need to be mentioned: the role of the Anglo-American relationship, and the knock-on effect of the independence of individual colonies and empires. The view that the United States, despite its anti-colonial rhetoric, played only a negligible part in Britain's retreat from the empire is consistent with the present interpretation.⁷² In the late 1940s and early 1950s, the support the empire gave to Britain's economy was conducive to US foreign policy needs and also accommodating to a reluctant creditor. However, the evolution of sterling-dollar relations affected the importance of the empire for Britain, especially after 1957-8. Economic liberalization deflected peripheral policies towards trade with the dollar area and, albeit less rapidly, towards dollar reserves. Moreover, once the path to decolonization was open and the step taken in 1960, Britain

and the United States may well have joined forces in their public relations offensive aimed at the periphery. Competitive coexistence during the 'Cold War' made it necessary to counter USSR propaganda by 'freeing' subject peoples.

Cross-territorial 'domino' effects are of relatively little importance in Britain's retreat because, according to British gradualism, the independence of colonies was decided on the merits of each case. In that respect, India was different from the Gold Coast and Malaya, and the latter were different from the remaining parts of the empire.⁷³ None the less, from 1960, British policy-makers held the view that similar constitutional reforms needed to be implemented in territories with comparable levels of economic development, whether these were settler territories or not. Therefore, for example, Rhodesia had to catch up with Ghana.

Cross-imperial influences are also by no means obvious as the case of Portugal indicates, whose colonies did not become independent until the mid-1970s. But, when the European Common Market devised means of associating overseas territories, the Colonial Office envied the French for having found a way of retaining the allegiance of parts of the former empire.⁷⁴ For Britain, problems piled up in colonial economic management and the sterling legacy meant that she had nothing similar that she could offer the periphery. When France embarked on a clean sweep of empire, Macmillan might well have found it was time for a face-saving mission, if only in public relations terms, in his oft-quoted Africa tour.

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To conclude: this study has identified and emphasized a hitherto often neglected cause of Britain's continuing involvement with empire after the Second World War, namely the crucial financial relationship based on sterling. It has been shown how this link first strengthened imperial ties and then led to their abandonment. This occurred at an important juncture of international economic relations. Future research into the immense documentation now available for this period may refine or even qualify the interpretation of imperial relations advanced here. However, if this study has merit, it is hoped that it will have helped to ensure that economic, and specifically financial, relationships are placed at the centre of studies of the international relations of the end of empire and of Britain's imperial ties generally.

Notes

1 Exploring Britain's Postwar Imperial Relations

1. For a preliminary speculation, see Krozewski, 'Sterling'.
2. For the broad context, compare, for example, Gilpin, *The Political Economy*, chs. 2–5; Strange, *States and Markets*; Eichengreen, *Globalizing Capital*; Elbaum and Lazonick, *The Decline of the British Economy*; Bates, *Markets and States*; Ikenberry, 'An Institutional Approach to American Foreign Policy'; Frieden, 'Sectoral Conflict'; and other articles in *International Organization*, 42, 1 (1988).
3. See studies as diverse as Cain and Hopkins, *British Imperialism*, Balachandran, *John Bullion's Empire*; Offer, 'The British Empire'; Ally, *Gold and Empire*; and Davis and Huttenback, *Mammon*.
4. For broad studies, see Shonfield, *British Economic Policy*, and especially studies by Cairncross: for example, *The British Economy*; *idem*, *Years of Recovery*; Cairncross and Eichengreen, *The Decline of Sterling*. For the 1940s and 1950s, see notably, Pressnell, *External Economic Policy*.
5. See, for example, Bell, *The Sterling Area*; Polk, *Sterling*; Hazlewood, 'Colonial External Finance', *idem*, 'The Economics'.
6. Tomlinson, 'Indo-British Relations'.
7. Newton, 'Britain, the Sterling Area, and European Integration'; *idem*, 'The Sterling Crisis of 1947'; *idem*, 'The 1949 Sterling Crisis'.
8. Unduly neglected is Bangura, *Britain and Commonwealth Africa*.
9. Cain and Hopkins, *British Imperialism*, vol. II, ch. 11. Miller, *Survey of Commonwealth Affairs*, ch. 12; also Reynolds, *Britannia Overruled*; as survey articles, Fieldhouse, 'The Labour Governments'; and Holland, 'Imperial Factor'.
10. See Schenk, *Britain and the Sterling Area*, passim and conclusions.
11. Cowen and Westcott, 'British Imperial Economic Policy'; Cowen, 'The British State'; *idem*, 'Early Years'; for the legacy of development doctrines, see Cowen and Shenton, *Doctrines of Development*. In other studies the link with developments in Britain or with sterling relationships is less strong: Havinden and Meredith, *Colonialism and Development*; also Fieldhouse, *Black Africa*; *idem*, 'Decolonization'.
12. See Morgan, *Official History*.
13. See Hinds, 'Sterling'; *idem*, 'Imperial Policy'; *idem*, 'Government Policy'.
14. The search for a 'turning point' is epitomized by Pearce, *Turning Point*; *idem*, 'The Colonial Office'; Cell, 'On the Eve of Decolonization'. See also Haqqi, *The Colonial Policy of the Labour Government*; Robinson, 'Andrew Cohen and the Transfer of Power in Africa'; Hyam, 'Africa and the Labour Government', p. 157; Goldsworthy, *Colonial Issues*; Lee, 'Forward Thinking'; *idem*, *Colonial Development*; von Albertini, *Decolonization*; for the war period, see Lee and Petter, *The Colonial Office*.
15. Rightly pointed out by Darwin, 'British Decolonization', p. 188; Horowitz, 'Attitudes', p. 17; The gap between Colonial Office plans and reality puzzled researchers of planned decolonization, and one researcher has concluded that planned decolonization was 'cut short' by nationalism: Flint, 'Planned Decolonization'.

16. As argued by Robinson, 'The Moral Disarmament'. However, the Colonial Office doctrine is well documented by this school. For the pertinent documents, see Hyam (ed.), *The Labour Government*.
17. Some case studies are, therefore, not fully convincing: Stockwell, 'British Imperial Policy'; Goldsworthy, 'Keeping Change within Bounds'; Hyam, 'Africa'. Revisionist studies of the postcolonial state have adopted this non-conflictual interpretation of the end of colonial rule: for example, Graf, *The Nigerian State*, pp. 26–7.
18. See, for example, Darwin, *Britain and Decolonisation*; and Holland, *European Decolonization*.
19. Louis, *Imperialism at Bay*; *idem*, *The British Empire*; Robinson and Louis, 'The Imperialism'; Lonsdale and Low, 'Introduction'; Low, *Eclipse*.
20. The selection of documents for the important 'End of Empire Project' followed this view: for example, Hyam (ed.), *The Labour Government*; Goldsworthy (ed.), *The Conservative Government*.
21. Darwin, 'British Decolonization'. According to this author, to be valid, historical research ought to employ cumulative causation: Darwin, *The End of the British Empire*, p. 114.
22. See, for example, Tarling, *The Fall of Imperial Britain*. Much of this research has been inspired by Robinson, 'Non-European Foundations'; Emerson, *From Empire to Nation*, is cast in the 1960s mould of modernization research.
23. See, for example, Marseille, *Empire Colonial*, ch. 15; *idem*, 'Une approche économique'; *idem*, 'La conférence de Brazzaville'.
24. Cooper, *Decolonization and African Society*.
25. Grossmann and Iyigun, 'Population Increase and the End of Colonialism'.
26. See notably, Gardner, *Sterling-Dollar Diplomacy*; Pressnell, *External Economic Policy*; Cairncross and Eichengreen, *Sterling in Decline*; Dobson, *The Politics*. For contemporary studies, see Bell, *The Sterling Area*; Polk, *Sterling*; Day, *The Future of Sterling*; Canon, *The Sterling Area*; *idem*, *The Rationale*; Wright, 'Dollar Pooling'; Zupnick, *Britain's Postwar Dollar Problem*; Wightman, 'The Sterling Area'; for a brief survey Bureau, *The Sterling Area*.
27. For the latter, see Elbaum and Lazonick (eds.), *The Decline*; Ingham, *Capitalism Divided*; Newton and Porter, *Modernization Frustrated*; cf. also Jessop, 'The Transformation'. For the former, see Dow, *The Management*; Cairncross, *Years of Recovery*; *idem*, *The British Economy*; J. Tomlinson, 'The Attlee Government' *idem*, 'Mr. Attlee's Supply Side Socialism'; Howson, "'Socialist" Monetary Policy'; *idem*, 'The Origins of Cheaper Money'; *idem*, 'Cheap Money'. For an introduction, see Alford, *British Economic Performance*.
28. The most pertinent study is Strange, *Sterling*. Other important research includes Scammell, *International Monetary Policy*; Hirsch, *Money International*; more recently, Eichengreen, *Globalizing Capital*; see also Ikenberry, 'A World Economy Restored'.
29. Strange, *Sterling*, p. 67; recently, Frieden, 'International Investment'.
30. Murphy, *Party Politics*; Howe, *Anticolonialism*.
31. These range from near-contemporary studies, such as Apter, *Ghana*, to recent ones, such as Bates: for example, *Beyond the Miracle of the Market*. A case-study of the transfer towards independence in Kenya is Wasserman, *The Politics of Decolonisation*.
32. See Kahler, 'Political Regimes'. For recent case-studies of Malaya and the Gold Coast, see White, 'British Business', *idem*, *Business*; and S.E. Stockwell, 'Political Strategies and British Business'.

33. For guidance on historical causation, see studies as diverse as Gerschenkron, 'On the Concept of Continuity in History'; Gardiner, *The Nature of Historical Explanation*; and Elster, *Logic and Society*, ch. 6.
34. Crucial for external economic policy were the Economic Policy Committee and the Economic Steering Committee.
35. The backbone of the archival material used is, therefore, PRO CAB 134, T 236, CO 852, CO 1025, and country files in the B/E OV series.
36. This fact is ignored by the 'planned' decolonization school. See section 1 above.
37. These areas of research are now being increasingly investigated by historians. See, for example, Zappalà, 'The Decline of Economic Complementarity'. See also the unpublished PhD thesis by Francine MacKenzie, *The Commonwealth*.

2 Sterling, Britain's Imperial Relations and the Wider World: The Legacy

1. Given the survey character of this chapter, references will be made to published sources even in cases which cover the period of the study. Detailed archival references will be introduced from ch. 3. The literature pertinent to the present chapter is vast and heterogeneous and will, therefore, be introduced at the appropriate places below.
2. For the perspective of British imperialism and socio-economic change since the seventeenth century, see notably Cain and Hopkins, *British Imperialism*.
3. For this paragraph, see studies as diverse in their approaches as Cain and Hopkins, *British Imperialism*; Davis and Huttenback, *Mammon*; the articles in Elbaum and Lazonick, *The Decline* (in particular, Best and Humphries, 'The City'); Cassis, 'Bankers'; for an introduction, see Collins, *Banks*, ch. 5. On Hilferding, see Brewer, *Marxist Theories*, ch. 4.
4. Read Birnbaum, 'Institutionalization', and Badie and Birnbaum, *Sociologie de l'Etat*, pp. 217–25, in conjunction with the following historical studies: Rubinstein, *Men of Property*; Cain and Hopkins, *British Imperialism*, vol. 1, ch. 3; also Cassis, 'Bankers'; Lupton and Wilson, 'The Social Background'.
5. See Dow's phrase, *The Management*, p. 69: 'Institutions, however – themselves, in one aspect, no more than fossilized ideas – in turn impose their own flavour on thought.'
6. See, for example, Longstreth, 'The City'; Ingham, *Capitalism Divided*; Newton and Porter, *Modernization Frustrated*; Elbaum and Lazonick, *The Decline* (especially, P.A. Hall, 'The State').
7. From a vast literature, see the discussions in Elbaum and Lazonick, *The Decline*; Davis and Huttenback, *Mammon*; Cain and Hopkins, *British Imperialism*.
8. Even after nationalization, the Bank often merely communicated decisions on economic policy to the Treasury rather than deliberating on them. See P.A. Hall, 'The State', p. 283.
9. For the legacy, see Cain and Hopkins, *British Imperialism*, vol. 1, chs. 2 and 4.
10. This prompted much criticism in the debate on British economic performance. See, for example, Best and Humphries, 'The City'; P.A. Hall, 'The State'; Ham, *Treasury Rules*; for a different view, see Stafford, 'Theories of Decline'. For an introduction, see Alford, *British Economic Performance*.
11. The independent sterling group as a whole was coordinated by informal committees, namely the Sterling Area Statistical Committee and the Commonwealth Liaison Committee, even at a time of increased centralized control after 1947

(see Conan, *The Sterling Area*, ch. 5). Moreover, whenever serious problems of allegiance emerged, Britain resorted to bilateral negotiations and agreements, notably in the 1940s in relation to checking the withdrawal of sterling balances by independent members of the area.

12. The policy process of the Foreign Office has received due attention in its own right. See, for example, Wallace, *The Foreign Policy Process*; Adamthwaite, 'Britain and the World'; Steiner, 'Le système décisionnel'. The Permanent Secretary of the Board of Trade (in the mid-1950s) confirmed the predominance of the Chancellor and Treasury in British domestic and foreign economic policy: Woods, 'Treasury Control', pp. 380–1.
13. For the discussion of these issues for Britain's development in the post-1945 period, see notably: Newton and Porter, *Modernization Frustrated*, ch. 5; Cairncross and Eichengreen, *Sterling*, ch. 4; Elbaum and Lazonick, *The Decline*; P.A. Hall, 'The State'; Lueuz, *Economic Planning*, ch. 2; Longstreth, 'The City'.
14. See, for example, Morgan, *Labour in Power*; Peden, *British Economic Social Policy*.
15. See, for example, Lueuz, *Economic Planning*, ch. 5; Jessop, 'The Transformation', Ingham, *Capitalism Divided*, ch. 9.
16. For a detailed historical analysis, see Pressnell, *External Economic Policy*. For a survey, see Cairncross, *The British Economy*, chs. 2 and 3. For a summary of Britain's sterling crises and their origins, see Hirsch, *The Pound Sterling*, pp. 48–9.
17. Roseveare, *The Treasury*, p. 316; Beer, *Treasury Control*, pp. 8–9.
18. See Lueuz, *Economic Planning*, ch. 2.
19. See, for example, Tomlinson, 'India and the British Empire'; for a survey, Charlesworth, *British Rule and the Indian Economy*.
20. For introductions, see Hopkins, *An Economic History*, chs. 4–6, Cain and Hopkins, *British Imperialism*, vol. 1, ch. 11; Austen, *African Economic History*, chs. 5–7.
21. Currency boards were established in the following regional categories: West African, East African, Southern Rhodesian, Malayan and West Indian. For early developments, see Hopkins, 'The Creation of a Colonial Monetary System'; for one quasi-official account, see Loynes, 'The West African Currency Board'. See also Newlyn and Rowan, *Money and Banking*, ch. 2; Shannon, 'Evolution', pp. 347–9; Greaves, 'Colonial Trade', p. 55; Hogendorn and Gemery, 'Continuity'. The currency systems of India and the 'old' Commonwealth can be ignored for the present purpose.
22. See Abbott, *A Short History*; Seel, 'The Crown Agents'.
23. See van der Laan, 'Marketing'; Meredith, 'State Controlled Marketing', *idem*, 'The Colonial Office'; for East Africa, Brett, *Colonialism*, ch. 5. In West Africa, cocoa was exclusively grown on small indigenous farms. In Malaya, rubber plantations dominated, even though smallholder production was on the increase and by the 1930s had reached 40 per cent: Booth, 'The Economic Development', p. 28.
24. For this argument, see Van der Laan, 'Selling Tropical Africa's Export Crops', p. 257.
25. See, for example, Sheriff, *Slaves, Spices and Ivory*; Hopkins, *An Economic History*, chs. 3 and 4.
26. On cocoa, see Hopkins, *An Economic History*, pp. 216–19; on rubber, see Barlow, *The Natural Rubber Industry*, ch. 2; for the South-East Asian context also Booth, 'The Economic Development'.
27. See Jessop, 'The Colonial Stocks Act'.
28. See Ehrlich, 'Building and Caretaking'.
29. For case studies, see, for example, Brown (ed.), *The Economies of Africa and Asia*; Lonsdale, 'The Depression'; Meredith, 'The British Government'.

30. For the social relations, see, for example, Austin, 'Capitalists and Chiefs', and *idem*, 'The Emergence of Capitalist Relations'.
31. Cowen and Shenton, 'The Origin and Course'.
32. For the interwar period, see notably studies by Balachandran: for example, *John Bullion's Empire*; *idem*, 'Gold and Empire'.
33. For pertinent data, see this volume, ch. 3.
34. For case studies, see, for example, Apter, *Ghana*; Austin, *Politics in Ghana*.
35. See the African Studies literature from the 1960s and 1970s, which dealt with these issues under the term 'primary resistance movements': for example, Ranger, 'Connexions'. However, it would be incorrect to assume that all this resistance was strictly anti-colonial in the political sense. Much resistance was protest connected to changing socio-economic relations. See Crummey (ed.), *Banditry, Rebellion and Social Protest*.
36. See Hargreaves, *Decolonization*; also, Fieldhouse, 'The Labour Governments'. There exists a considerable literature on the Colonial Office's considerations in modifying the administrative mechanisms in African colonies. See, for example, Pearce, *The Turning Point*, together with the comments on this literature in chs. 1 and 10.
37. Cowen and Shenton, 'The Origins'.
38. See Cain and Hopkins, *British Imperialism*, ch. 5; Kenwood and Lougheed, *The Growth*, ch. 7.
39. See Meyer, *Britain's Colonies in World Trade*; Davis and Huttenback, *Mammon*.
40. See de Cecco, *The International Gold Standard*; Balachandran, *John Bullion's Empire*, ch. 2; *idem*, 'Gold and Empire'; *idem*, 'Britain's Liquidity Crisis'.
41. See Kenwood and Lougheed, *The Growth*; Drummond, *The Gold Standard*, *idem*, *British Economic Policy*; Hirsch, *Money International*, ch. 18.
42. See Howson, *Sterling's Managed Float*.
43. Egypt and Sudan, Iran (from 1936), Iraq, Siam (from 1933), Estonia (from 1933), Iceland, Ireland, Latvia (from 1936), Portugal. Other countries had close arrangements with the bloc: Argentina, Bolivia, Japan, Greece, Yugoslavia.
44. For a concise account of the sterling bloc and the sterling area, see Scammell, *International Monetary Policy*, ch. 9. The precise membership of the sterling area changed during the period of its existence. However (as for the sterling bloc), the area's main constituents were the empire and the independent Commonwealth except Canada.
45. Cain and Hopkins, *British Imperialism*, vol. 1, ch. 8, vol. 2, ch. 5.
46. In the interwar period, notably lobbyists grouped around Leo Amery.
47. For such a view, see for the 1950s, for example, Downing and Perkins, 'Australia'; Crawford, *Australian Trade Policy*, p. 101.
48. See Balachandran, 'Britain'.
49. See Pressnell, *External Economic Policy*; Strange, *Sterling*; Gardner, *Dollar-Sterling Diplomacy*.
50. For data on these issues, see ch. 3.
51. For relevant changes in the attitude of British industry, see Blank, *Industry and Government*.
52. See Cairncross and Eichengreen, *Sterling in Decline*; Cairncross and Burk, *Good-Bye, Great Britain*.
53. See Kimball, 'Lend-Lease'.
54. For the latter, see, for example, Fodor, 'Origin of Argentina's Sterling Balances'; MacDonald, 'United States'; Abreu, 'Brazil as a Creditor'; on Egypt, Polk, *Sterling*, pp. 67-9.

55. See notably Sayers, *Financial Policy*; also Cowen and Westcott, 'British Imperial Economic Policy'.
56. Sayers, *Financial Policy*, ch. 9.
57. Cowan and Westcott, 'British Imperial Economic Policy', pp. 40–1. At the end of the war, Britain drew 68 per cent of its entire supply from this territory.
58. See Westcott, 'The East African Sisal Industry'; Anderson and Throup, 'Africans and Agricultural Production'; Killingray, 'Labour Mobilisation'; Hurstfield, *The Control of Raw Materials*, pp. 168–9; for contemporary accounts Creech Jones, 'Colonial Office'; Earl of Winterton, 'The Mobilization'. For the political dimension of Anglo-American relations with regard to the empire during the war, see Louis, *Imperialism at Bay*; Thorne, *Allies*.
59. Cowen and Westcott, 'British Imperial Economic Policy', pp. 20–1; Kimball, 'Lend-Lease'; Clarke, *Anglo-American Economic Collaboration*.
60. See Wicker, 'Colonial Development and Welfare'; for the 1940 Act, see Constantine, *The Making of British Colonial Development Policy*, ch. 9; Bowden, *Development*; Sieberg, *Colonial Development*.
61. Cowen and Westcott, 'British Imperial Economic Policy', pp. 44, 45, 50, 56; Pedler, 'British Planning'; Butler, *Industrialisation*.
62. For data, see ch. 3.
63. See Tomlinson, 'Indo-British Relations'.
64. For the contemporary perception, see Sayers, *Financial Policy*, pp. 442–3. For developments after 1947, see ch. 4.
65. Sayers, *Financial Policy*, ch. 9; Tomlinson, 'Indo-British Relations'; Moore, *Escape from Empire*, pp. 28–9.
66. See the negotiations on the Anglo-American loan agreements: Pressnell, *External Economic Policy*; Herring, 'The United States and British Bankruptcy'.
67. For indications, see Pressnell, *External Economic Policy*; also Moggridge (ed.), *Collected Writings of Keynes, XXVII*, pp. 446–58 ('Notes on sterling area negotiations'; pp. 457–8: 'The ultimate sanction').
68. For the US perspective, see Maddock, 'The Politics of Trade', pp. 280–6; for the broad political context, see Reynolds, 'A "Special Relationship"?'.
69. See chs. 4–9.

3 Britain, the Sterling Area and the Empire: Key Economic Relationships, 1947–58

1. Readers less interested in this technical and statistical dimension may wish to skip this chapter but are advised to read its conclusions.
2. Schenk, *Britain and the Sterling Area*.
3. See Morgan, *Official History*, in particular vols. 1, 3 and 5. Havinden and Meredith, *Colonialism and Development*, chs. 10 and 11.
4. For a preliminary survey based importantly on contemporary studies, see Krozewski, 'Sterling'.
5. From a host of studies, see especially Bell, *The Sterling Area*; Conan, *The Sterling Area*; *idem*, *The Rationale*; Hirsch, *Money International*; Shannon, 'The Sterling Balances'; Wright, 'Dollar Pooling'; Yeager, *International Monetary Relations*; Zupnick, *Britain's Postwar Dollar Problem*.
6. See, notably Polk, *Sterling*; and Meyer, *Britain*. The comments by the editor of the *Financial Times*, Einzig, are also a case in point. See 'Colonial Sterling Currency Reserves (Note by Dr. Paul Einzig)', Jan 1955, PRO CO 1025/97.

7. Some official figures on these issues can also be found in the summaries of documents provided by Morgan, *Official History*, vol. 3, chs. 4 and 5.
8. Contemporary studies usually distinguished only between the sterling area, which included Britain, and the rest of the sterling area (RSA), which excluded Britain. Such a distinction, however, conceals analytical aspects that are important for the present purpose. The book will distinguish between Britain, the overseas sterling area (or simply the sterling area) and, furthermore, between the dependent and independent sterling area. It will be clear from the context when the sterling area including Britain is addressed. The sterling area contained the so-called scheduled territories, that is, the empire, the independent Commonwealth (except Canada), and a number of other states: Iceland, Ireland, Burma, Iraq, Jordan and Libya. The group's composition slightly changed over the period. Egypt was excluded in 1947. The dollar area contained the United States, Canada and Latin America. Western Europe comprised what became in 1948 the group of European OEEC countries.
9. The main material is summarized in the figures and tables.
10. Accounts of these episodes include Newton, 'The Sterling Crisis of 1947'; Cairncross and Eichengreen, *Sterling in Decline*, ch. 4; Cairncross, *Years of Recovery*. For a contemporary assessment, see Katz, 'Sterling Instability', *idem*, 'Sterling's Recurring Postwar Payments Crises'; Scott, 'The Balance of Payments Crises'. Statistical material in this section is drawn from British Command Papers; and *Key Statistics*. Tables on Britain's balance of payments are included in many introductions into the economic history of the period: for example Alford, *British Economic Performance*, p. 80; Cairncross, *The British Economy*, p. 117; Scammell, *The International Economy*, p. 113.
11. For monthly figures, see Cmd. 8065, Cmnd. 122, and Cmnd. 977; *Economic Survey, 1952*, PRO CO 537/7827. Annual figures are given in *Key Statistics*.
12. 'Cabinet. Economic Policy Committee. Sub-Committee on the Economic Situation. Our Economic Prospects and Objectives. Memorandum by the Chancellor of the Exchequer [Butler], E.A.(E)(51)1', 30 Nov. 1951, PRO CAB 134/856; 'Cabinet. Programmes Committee. Minutes, P.(53) 10th Meeting', 31 Mar 1953, PRO CAB 134/1125.
13. See Cmnd. 122, Cmnd. 977, *Key Statistics*.
14. Except for 1947, it was in considerable surplus. The important surpluses occurred with respect to the overseas sterling area, but surpluses existed with virtually all other trading blocs, except the dollar area, for most of the years. See Cmnd. 122.
15. This problem received great attention among contemporary economists and economic observers. See notably Zupnick, *Britain's Postwar Dollar Problem*.
16. See Cmnd. 122, Cmnd. 977.
17. For an assessments of these problems, see Cohen, *The Reform of Sterling*.
18. For the domestic side, see Howson, '"Socialist" Monetary Policies'; *idem*, 'The Origins'; *idem*, 'Cheap Money'; *idem*, 'The Problem'. The external side received less attention from this angle: Tomlinson, 'The Attlee Government'.
19. Dow, *The Management*, chs. 2-3.
20. 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675.
21. For Anglo-American relations, see Pressnell, *External Economic Policy*; Strange, *Sterling and British Policy*; Dobson, *The Politics*; Rowland, *America and the World Political Economy*; Gardner, *Sterling-Dollar Diplomacy*. For a pertinent contemporary view, see Sargent, 'The Background to Sterling Convertibility'.

22. For Britain's relations with Europe, see Hogan, *The Marshall Plan*; Kaplan and Schleiminger, *The European Payments Union*; Rees, *Britain and the Post-War European Payments System*. Important contemporary assessments include Sargent, 'Convertibility'; *idem*, 'The Background to Sterling Convertibility'; *idem*, 'European Free Trade'.
23. See section 3 below.
24. See *Key Statistics*, and *Board of Trade Journal (BOTJ)*. (Unless stated otherwise, material from the *BOTJ* used in this chapter is drawn from the 'Sterling Area Trade Summar[ies]', 5 Feb 1955, pp. i–xiv; 5 Nov 1955, pp. i–xv; 3 May 1957, pp. iii–viii; 9 May 1958, pp. 1089–1101; 7 Nov 1958, pp. i–xii; 13 May 1960, pp. i–xvi.) See also the Cabinet Working Party on United Kingdom Export Trends, particularly 'Seventh Report of the Working Party. U.K.(E)(56) 17 Final', 7 Jan 1957; 'Eighth Report of the Working Party. U.K.(E)(57) 7(Final)', 19 Jul 1957, PRO CAB 134/2555; 'Ninth Report of the Working Party. U.K.(E)(58) 1(Final)', 20 Jan 1958; 'Tenth Report of the Working Party. U.K.(E)(58) 8(Final)', 28 Jul 1958, PRO CAB 134/2556. See also figures in European Co-operation Administration, *The Sterling Area*; and International Bank of Settlements, *The Sterling Area*.
25. A comparison of the values of Britain's exports to the sterling area with those towards Europe and North America combined shows a change in their ratio from 1.5:1 in 1947, to 1.1:1 in 1958, and an inversion of 0.9:1 in 1959. In other words, while in 1947 the sterling area still received 49 per cent of Britain's exports compared to only 32 per cent of North America and Western Europe combined, by 1958 the percentages had changed to 44 per cent and 41 per cent respectively, and by 1959 to 40 per cent and 45 per cent respectively. *Key Statistics*, *BOTJ*.
26. See figures in *BOTJ*.
27. Assessed following figures of the Sterling Area Statistical Committee: PRO CAB 134/582; CAB 134/583; CAB 134/584; CAB 134/585; PRO T 236/3842; T 236/3844; T 236/3848; T 236/3849; T 236/3850; T 229/284.
28. Assessed from figures in *BOTJ*.
29. The pertinent file is 'Independent Gold and Dollar Reserves', PRO T 236/5369.
30. Contemporary studies of the sterling area always include general accounts and statistics on the sterling balances (tables can be found in Bell, *The Sterling Area*, pp. 22–3; Shannon, 'The Sterling Balances'). These are summaries of command papers (Cmd. 8065, Cmnd. 122, Cmnd. 977). However, published sources often use geographical aggregates that changed over the period and are, therefore, difficult to compare. A monthly breakdown of regional aggregates of sterling balances is given in the *Monthly Reports on External Finance* prepared by the Bank of England and the Treasury. Historical studies of the period now include to varying degrees these figures. However, territorial figures on the colonies are difficult to obtain even from official documents and have not been published. For such figures, see section 3.
31. For the legacy, see Cain and Hopkins, *British Imperialism*, vol. 2, ch. 5.
32. This episode has made its way into the textbooks, and even the *Encyclopaedia Britannica*. For concise accounts, see Crawford, 'Funding the Sterling Balances', *idem*, 'Guarantees'; Bareau, 'Sterling after Basle'.
33. The assessment in this paragraph is based on figures from Cmnd. 8065; Cmd. 122, Cmd. 977; and *Key Statistics*. *Monthly Report[s] on External Finance* by the Bank of England and the Treasury, PRO CAB 134/583, 584, 585.
34. The assessment in this and the following paragraph is based on figures in the documents listed above.

35. 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675.
36. Assessed following data in Cmnd. 122.
37. Overall trade figures for geographical aggregates can be obtained from Colonial Office Annual Reports *The Colonial Territories* (Cmd. 8243, Cmd. 8553, Cmd. 8856, Cmd. 9169, Cmd. 9489, Cmnd. 780) and for the 1950s from the *Digest of Colonial Statistics*, and the *BOTJ*. However, detailed territorial figures are difficult to obtain, as are accurate comparisons at the end of the 1950s, since territorial aggregates in the *Digest* changed. In the following, trade figures will be assessed from archival trade and balance of payments figures and compared with official publications. However, it is not always clear whether or not invisibles have been accounted for.
38. This colonial total, therefore, excludes the entrepôt centres Hong Kong and Aden (though for technical reasons not Singapore), as well as Malta and Cyprus, and thus comprises East Africa (including Kenya, Uganda, Tanganyika, Somaliland, but excluding Aden and possibly Zanzibar), West Africa (notably the Gold Coast/Ghana and Nigeria, but also the Gambia and Sierra Leone), Malaya (usually including Singapore, because this territory held a common currency fund with Malaya, Sarawak, and Borneo) and the West Indies.
39. Assessed from figures in the *BOTJ* and the *Digest of Colonial Statistics*. See also data in PRO T 236/3562, 3850, 3851, and 3845. Calculations based on these Treasury data give very similar results for the early 1950s. The surplus for West Africa is higher, however.
40. *Ibid.*, and Cmd. 8856, PRO CAB 134/887.
41. 'Conference of Colonial Government Statisticians 1950. Balance of Payments. S.C.(50)13. The Bank of England and the Colonial Office Statistics Dept., in conjunction with the Treasury', Apr 1950, B/E EID 3/90/440/4. Bank of England (Statistics Office), 'Submission to I.M.F. of Colonial Balance of Payments Statistics for 1948 and 1949', 14 Jul 1950, B/E EID 3/58/434/1.
42. See PRO T 236/280; CAB 134/887; Conan, *The Sterling Area*, p. 47. Compare also Cmd. 8856, and Cmd. 9169; PRO CAB 134/1124, 1126, 1127, 1130.
43. Treasury, 'Confidential Note by the United Kingdom Treasury: Sterling Area Balance of Payments', Nov 1957, PRO CO 852/1672. A similar picture is reflected in data that exclude Hong Kong but include all others: 'Cabinet. Committee on Balance of Payments Prospects. Minutes. B.P. (56) 7th Meeting', 12 Jun 1956, PRO CAB 134/1198.
44. 'Cabinet. Economic Steering Committee. The Economic Significance of the Colonial Sterling Assets. Note by the Secretary. E.S.(53)28', 12 Sep 1953, PRO CAB 134/887. Treasury, 'The Sterling Area Balance of Payments 1946-52', 29 Jun 1953, PRO T 236/280. CO Reports, Cmd. 8856, Cmd. 9169; PRO CAB 134/1124, 1126, 1127, 1130.
45. *BOTJ*; Conan, *The Sterling Area*, p. 59, p. 65.
46. There exists no detailed assessment of these relations in the recent published literature. Relevant contemporary studies include Wright, 'Dollar Pooling'. However, due to British policy designs during the period, the archival sources concerned with the colonial balance of payments with the dollar area are massive.
47. For the entire five-year period, the respective shares of the overall surplus were +162 per cent, -18 per cent, +18 per cent, and -62 per cent. See Treasury, 'The Sterling Area Balance of Payments 1946-52', 29 Jun 1953, PRO T 236/280.
48. Wright, 'Dollar Pooling'; Conan, *The Sterling Area*, pp. 181-92.

49. Unless otherwise indicated, the assessment in this and the following paragraphs is based on figures prepared for the Overseas Negotiations Committee: PRO CAB 134/582, 583, 584, 585; the Sterling Area Statistical Committee: PRO T 236/3842, 3848, 3849, 3850; PRO T 229/284; and the Colonial Dollar Drain Committee: PRO CO 852/830/2. These figures were also used by a number of other Cabinet Committees and Working Parties.
50. Cmd. 8976; Wright, 'Dollar Pooling', p. 568; Conan, *The Sterling Area*, pp. 181–92.
51. In absolute terms, between 1947 and 1953 the value of Malayan imports reached £663 million, those of West Africa £247 million.
52. At £154 million in absolute terms.
53. An exception is East Africa, which was, however, of marginal importance as a dollar earner.
54. Largely due to imports for the tourist industry.
55. 'Cabinet. Economic Policy Committee. Japan. Note by the Joint Secretary. E.A.(53)39', 5 Mar. 1953, PRO CAB 134/847. 'Cabinet. Tariff Policy on Japan. Balance of Payments Prospects of the Sterling Area and Japan. Memorandum by the Chancellor of the Exchequer. GEN.436/5.', 16 Jul 1953, PRO CAB 130/87.
56. The assessment in this section is based on figures in PRO T 236/3847, 3850, 3851, and the *Digest of Colonial Statistics*. The figures given in the *CO Annual Reports*, where they are comparable, show roughly similar results.
57. For a contemporary introduction into the working of the colonial monetary arrangements, see Clauson, 'The British Colonial Currency System'; *idem*, 'The West African Currency Board'; Newlyn and Rowan, *Money and Banking*, ch. 3; Hazlewood, 'The Economics of Colonial Monetary Arrangements'. General annual figures on the colonial sterling balances and geographical aggregates are included in many contemporary publications on the sterling area. Monthly aggregates are available from the *Monthly Report[s] on External Finance*. These will be used for the general assessment that follows. Figures on territorial holdings and detailed distributions among different funds were subject to a number of exercises of government departments but were a bank secret. These references will be introduced at the appropriate places below.
58. Even between Sep and Dec 1947 a decrease of £200 million occurred.
59. For a territorial breakdown, see PRO T 220/427.
60. Rhodesia incurred large current balance of payments deficits during the period. Moreover, the British-owned mining companies transferred their profits directly to Britain, and are, therefore, not reflected in the sterling balances. Caine (CO) to Waley (T), 6 Aug 1946, PRO T 236/2683. See also Irvine, *The Balance of Payments*.
61. The assessment in this paragraph is based on figures in PRO CAB 134/583, 584, 585.
62. New Zealand sterling balances were much less in absolute terms.
63. 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675.
64. Compare the assessment by the Working Party on Colonial Sterling Balances in 1946, PRO T 236/2683.
65. The assessment is based on the figures for sterling balances as indicated in this section and the balance of payments statistics given in Cmnd. 122.
66. The contemporary assessment by Greaves, *The Colonial Sterling Balances*, and *idem*, *Colonial Monetary Conditions*, is in this connection misleading.
67. See the figures in PRO CAOG 9/33.

68. See figures in Wicker, 'Colonial Development', p. 176.
69. See figures in Cmnd. 122 and T 236/3562.
70. Conan, *The Changing Patterns of International Investment*, p. 17.
71. 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10', 9 Nov 1953, PRO CAB 130/97; Bank of England, 'Aid to the R.S.A. from the Non-Sterling Area 1948-55', Sep 1956, B/E ADM 14/47/807/8. During the same period the Federation of Rhodesia and Nyasaland alone received a total of £39.4 million. (\$110.3 million) in loans. Between 1948 and 1955 the colonies received a total of £19.6 million (\$54.8 million) in loans and £6.1 million (\$17 million) in grants. About 44 per cent of the loans went to the East African High Commission, 38 per cent flowed into the West Indies, about 17 per cent to East Africa, but only 1.3 per cent to West Africa. Private direct foreign investment during the four years 1950-53 was estimated for all colonies together at about 10 million (almost £5 million to the West Indies, and less than £4 million to West Africa). It is unlikely that this was higher in the late 1940s, because the British and colonial governments were highly selective in granting permission for non-sterling investors.
72. Compare the balance of payments statistics in 'Cabinet. Economic Steering Committee. The Economic Significance of the Colonial Sterling Assets. Note by the Secretary. E.S.(53)28', 12 Sep 1953, PRO CAB 134/887; see also 'Gold Production and Exports in the British Colonies', B/E OV 44/80/1535/2 and OV 44/81/1535/3.
73. No published overall assessments of these issues are available. However, some territorial studies include relevant statistics (for example, Kay, *The Political Economy*). Havinden and Meredith, *Colonialism and Development*, offer relevant statistical summaries, notably on the terms of trade. But their geographical breakdown in many cases does not allow comparisons with the available absolute trade figures.
74. Economic Co-operation Administration, *The Sterling Area*, p. 79.
75. Cocoa exports from the sterling area were basically equal to exports from the Gold Coast and Nigeria. The share of cocoa of the total quantity of sterling area cocoa exports that went to the dollar area stood at 44 per cent in 1950, and then slowly fell to 41 per cent in 1951, 36 per cent in 1953 and then markedly to about 20 per cent in 1954 and 1955. The share of rubber was 37 per cent in 1950, 32 per cent in 1951, 27 per cent in 1952, 24 per cent in 1953 and less than 20 per cent thereafter. See *BOTJ*.
76. Committee on Colonial Development, 23 Jun. 1949, PRO CAB 134/65; Colonial Office, 'Survey of Inflationary and Deflationary Tendencies in the Colonies', 21 Jul 1949, PRO CO 852/1052/1; Arden Clarke (Governor, Gold Coast) to Gorell Barnes (CO), 19 Sep 1952, PRO CO 852/1150/3; *BOTJ*.
77. Committee on Colonial Development, 23 Jun. 1949, PRO CAB 134/65; Programmes Committee, 29 May 1952, PRO CAB 134/1123; Programmes Committee, 22 Oct 1954, PRO CAB 134/1129; *BOTJ*.
78. *BOTJ*.
79. See the investigations on the balance of payments between the colonies and the Western Hemisphere, PRO CO 852/830/2; and the exercises on dollar ceilings by the Dollar Drain Committee, the Committee on Colonial Development, and the

- Programmes Committee: PRO CO 852/830/1; CO 852/1139/5; T 236/3751; CAB 134/66, 67. For policy issues, see ch. 4. For a liberalization assessment see B/E EID 3/93/441/2.
80. 'Cabinet. Overseas Negotiations Committee. United Kingdom Trade with the Sterling Commonwealth. O.N.(55)55', 8 Jul 1955, PRO CAB 134/1104.
 81. Following figures in Kay, *The Political Economy*, pp. 334–8. The indexes in Havinden and Meredith, *Colonialism and Development*, p. 238, show the same trends, but do not result in the same figures.
 82. See the indexes in Havinden and Meredith, p. 239.
 83. No recent studies are available that deal with these issues and their interrelation in a rigorous manner. However, some of the archival figures used for the present analysis are also mentioned in Morgan, *Official History*, vol. 3, chs. 4–5. Moreover, there were contemporary debates on the purpose and desirable level of colonial sterling balances. See notably Greaves, *The Colonial Sterling Balances*; Hazlewood, 'Sterling Balances'; *idem*, 'Memorandum of the Sterling Assets'; Nicolescu, 'Sterling Balances'; King, 'Sterling Balances'; Earle 'Colonial Monetary Theory'; 'Analyst', 'Currency and Banking in Jamaica'; Balogh, 'Eyeless in Ghana'.
 84. This was mainly a political issue, for which see chs. 4, 6 and 8. Only the technical and quantitative relations will be addressed in this chapter.
 85. The assessment in this paragraph is based on detailed figures for the years 1949–54 in PRO T 220/427. Sinking and pension funds made up a small share of all government funds and decreased from 18 per cent in 1949 to about 7 per cent in 1954.
 86. Loynes (B/E) to Chief Cashier, Parsons et al. (B/E), 'Colonies: Exchequer Loans', 25 Jul 1958, B/E ADM 14/51/808/3.
 87. Forsyth (T) to Economic Secretary (T), 'Gold Coast/Ghana: Sterling Assets', 27 Mar 1957, PRO T 236/4253; Taylor (T) to Rickett (T), 27 Sep 1957, PRO T 236/5362.
 88. Based on figures in PRO T 220/427. The picture for East Africa is similar, only that here the share of government holdings had been higher already in 1949 (47 per cent) and increased to 57 per cent in 1954, whereas the share of currency funds had been lower in 1949 (23 per cent) and increased to 29 per cent by 1954. The striking characteristic of West Indian holdings was that banking funds were high and at the level of government holdings; both together made up about 80 per cent of the total balances.
 89. See Crown Agents, *The Financial Work of the Crown Agents*.
 90. The assessment of liquidity is based on figures in 'Working Party on Colonial Sterling Balances, 1953, C.S.B.(53)2', PRO T 233/933.
 91. See Report of the Working Party on Colonial Sterling Balances, Sep 1953, PRO CAB 134/887; and Report of the Working Party on Colonial Stock Issues, Aug 1958, PRO CO 1025/112.
 92. The official definition changed slightly between the late 1940s and the late 1950s, due to the reduction of the full currency cover by 20 per cent. Moreover, in the mid-1950s the Colonial Office thought that part of the marketing board holdings could be withdrawn.
 93. The absolute figures are £80 million, £130 million, £65 million, and £140 million, respectively. The 'excess' balances of all colonies together were estimated as amounting to £470 million. See Barker (B/E) to Loynes (B/E), 'Colonial Sterling Balances', 9 Dec 1957, B/E ADM 14/50/808/2. A Treasury exercise of 1949 specified those balances that could under no circumstances be withdrawn, that is, the special government funds. In the years 1947 and 1949, they made up about one quarter each for West Africa, Malaya and the West Indies, and about 40 per cent

for East Africa. Treasury, 'Sterling Assets of Overseas Countries. Notes on "Tied" Funds', Nov 1949, PRO T 236/2684.

94. See chs. 7 and 9.

95. Not surprisingly, the most extreme figures were those for Brunei with 1,000 per cent, 400 per cent and 1,200 per cent respectively. See 'Top Secret Treasury Memorandum. The Pattern of Colonial Sterling Assets and United Kingdom Sterling Liabilities to the Colonies', Mar 1956, PRO CO 852/1577.

96. See 'Analysis of Replies Received to Circular Telegram of 1st June. Liberalisation of Dollar Imports: Estimates of Cost', 10 Sep 1955, B/E EID 3/93/441/2. About £50 million was estimated for 1954.

4 Britain's Postwar Economic Reconstruction: Discrimination and Empire, 1947–53

1. For important elements, see Hinds, 'Sterling and Imperial Policy'; *idem*, 'Imperial Policy'; for regional accounts, see Newton, 'The Sterling Crisis'; *idem*, 'Britain'; *idem*, 'The 1949 Sterling Crisis'; Tomlinson, 'Indo-British Relations'; for the perspective of British foreign economic policy outside the empire, Pressnell, *External Economic Policy*; Cairncross, *Years of Recovery*; Cairncross and Eichengreen, *Sterling in Decline*, ch. 4; Milward, *The Reconstruction*; Dow, *The Management*, ch. 2; Strange, *Sterling*, p. 67. Valuable points are made by Fieldhouse, 'The Labour Governments'; and marginal references to relevant issues are contained in numerous studies of imperial policy and decolonization.
2. For general accounts, see K.O. Morgan, *Labour in Power*; Pelling, *The Labour Governments*.
3. See ch. 2.
4. Note the zealous contemporary debates between critics, such as Hayek, and advocates of a strong state among Labour ideologists, such as Laski.
5. For these issues, see notably Dow, *The Management*; also Pollard, *The Development of the British Economy*.
6. See Howson, 'The Problem of Monetary Control', p. 67.
7. See notably Cairncross, *Years of Recovery*; also Aldcroft, *The British Economy*, ch. 8. On problems of British defence spending during the period, see, Barker, *The British Between the Superpowers*, pp. 98–102.
8. See Leruez, *Economic Planning*; Brittan, *Steering the Economy*, p. 108.
9. *Ibid.*, and Dow, *Management*.
10. However, their number was very small and the influence of professional economists on the overall direction of British policy must not be overstated. Cf. Booth and Coats, 'Some Observations'; Cairncross and Watts, *The Economic Section*, p. 285; Rogow, *The Labour Government*, p. 46; Ingham, 'Shaping Opinion'.
11. Treasury memoranda by R.W.B. Clarke are evidence of this. Bilateralists existed among officials, but were sharply criticized: see Clarke (T) to Eady (T), 'The Bank Memorandum', 26 Mar 1947, PRO T 236/2683. The Economic Section, however, probably remained of little influence during the early years of the Labour government. For a contemporary academic advocate of a rapid return to convertibility, see Harrod, 'The Problem'; *idem*, *Are These Hardships Necessary?* Other contemporary economic observers urged for caution, especially because of the sterling balances: Political and Economic Planning, 'The Sterling Area II', pp. 70–80.
12. The account of policy is given in section 3 below, and in ch. 5. For a general assessment of the economic importance of the colonies for Britain, see ch. 3.

13. Ministerial Committee on Preparations for the Commonwealth Conference (Cabinet) to Working Party on External Economic Policy (Cabinet), 'The Problems of External Economic Policy. GEN.412/4', 22 Jul 1952, PRO CAB 130/78. 'Cabinet. Economic Policy Committee. Convertibility and Non-Discrimination. Note by the Minister of State for Economic Affairs [Gaitskell]. E.P.C.(50)86', 10 Aug 1950, PRO CAB 134/226. See also Gaitskell, 'The Sterling Area'. For Labour's general strategy, compare Brett, Gilliat, and Pople, 'Planned Trade'.
14. The discussion of the logic of policy is taken up in sections 4 and 5 below. For the crises of 1947 and 1949, see in particular, Newton, 'The Sterling Crisis of 1947'; *idem*, 'The 1949 Sterling Crisis'. For an account by the Chancellor of the Exchequer of the time, see: Dalton, *High Tide*, part 3.
15. The literature on the Anglo-American economic relationship is vast. For the present purpose, see notably Pressnell, *External Economic Policy*; Dobson, *The Politics*; Strange, *Sterling and British Policy*; Gardner, *Sterling-Dollar Diplomacy*.
16. For details, see Pressnell, *External Economic Policy*; also Dobson, *The Politics*; Van Dormael, *Bretton Woods*, ch. 2; Hogan, *The Marshall Plan*. However, all these studies include only marginal references to the British empire, or none at all.
17. See the deliberations of the Sterling Area Negotiations Committee (of which Keynes was a member), notably, Bank of England, 'The U.S. Financial Agreement as it Affects Relations with the Sterling Area. SAN(46)4', 8 Feb 1946, PRO T 236/2682, and the deliberations of the Working Party on Colonial Sterling Balances in summer 1946, T 236/2683. See also Morgan, *Official History*, vol. 2, ch. 2. For a survey of official figures on the balances, see Appendix to ch. 4.
18. See R.W.B. Clarke's assessment: 'Working Party on Colonial Sterling Balances. Minutes. SAN(COL) 2nd Meeting', 27 Jun 1946, PRO T 236/2683.
19. Colonial Office draft circular to colonies, Jan 1947, PRO FO 371/62263; 'Circular No. 98 from S.o.S. Colonies. Import Licensing Policy', 5 Sep 1947, PRO T 238/54; 'Memorandum by the Colonial Office. The Dollar Pool. Note on Measures Taken in the Colonial Empire to Save and Earn Dollars', Nov 1947, B/E EID 3/91/440/5.
20. 'Note of a Meeting Held in the Treasury 16th July to Consider Alternative Action to the Marshall Plan', 16 Jul 1947, PRO T 229/136.
21. Treasury, 'Washington Talks on Sterling Balances. [Reply to the US/Canadian questionnaire]', 1 Feb 1950, PRO T 236/2687.
22. Brittain (T) to Clarke (T), 18 Feb 1950, PRO T 236/2687. For the US assessment, see, for example, Draft State Department Memo, 'U.S. Position on Sterling Balances', NARA [National Archives and Records Administration, Washington] 841.10/2-1650; also, though with considerable circumspection, Nelson and Palmer, *United States Foreign Economic Policy and the Sterling Area*.
23. Colonial Office to Washington Talks, 'Washington Discussions – Head 3 (A)(1). Projects Planned or Under Way in the Colonies to Promote the Production of Dollar Saving Commodities. W.D.(49)34', Sep 1949, PRO T 229/149. See also Appendix to ch. 4.
24. 'Sterling Area Conference. Minutes. 26th September 1947. GEN.195/3rd Meeting', 26 Sep 1947, PRO CAB 134/27.
25. Contemporary studies of the sterling area deal with these issues at length. See, for example, Bell, *The Sterling Area*. A look at British state papers during the period is also instructive; they include a great many bilateral agreements on sterling transactions.

26. 'Sterling Area Development Working Party. Interim Report', Jul 1948, PRO T 229/119.
27. See Rao, 'The Colombo Plan'; Political and Economic Planning, 'The Sterling Area I', p. 65.
28. Cabinet Office, 'Commonwealth Economic Conference. Agreed Minute of Action to Follow the Conference', 11 Dec 1952, PRO CO 852/1365.
29. See the interpretation of the Conference Communiqué by the UK Economic Section in Washington, 'Economic Committee (Washington). Minutes. E.C.(W)(52) 38th Meeting', 17 Dec 1952, PRO CAB 134/862. Contemporary economic observers stressed the need for closer policy cooperation with the independent Commonwealth: Bareau, 'The Future'; cf. also Caine, 'Some Doubts'; Paish, 'The Sterling Area Crisis'. For theoretical criticism of the management of pooling, see Zupnick, 'The Sterling Area's Central Pooling System'.
30. See 'Cabinet. Inter-Departmental Organisation for Handling Balance of Payments Questions. Note by the Secretary of the Cabinet. C.P.(47)255', 12 Sep 1947; 'Cabinet. Balance of Payments. Overseas Negotiations Committee. Methods of Improving the Balance of Payments. Note by the Secretary. B.P.(O.N.)(47)40', 21 Oct 1947, PRO T 230/277.
31. 'Cabinet. Economic Policy Committee. 1948 Non-Dollar Balance of Payments Plan. Memorandum by the Chancellor of the Exchequer', 18 Nov 1947, PRO CAB 134/215.
32. Monetary agreements between Britain and Belgium stipulated that, from a certain level, sterling surpluses required a settlement of the balance in gold. 'Sterling Area Conference. Minutes. 26th September 1947. GEN.195/3rd Meeting', 26 Sep 1947, PRO CAB 134/27.
33. Imports should not exceed 75 per cent of the 1938 level, while keeping full employment. Dollar area imports should be reduced by at least £100 million at 1947 prices. To achieve this, an import diversion committee was set up: 'Cabinet. Economic Policy Committee. 1948/52 Balance of Payments Programmes. Memorandum by the Chancellor of the Exchequer. E.P.C.(48) 66', 9 Jul 1948, PRO CAB 134/229. 'Cabinet. Imports Diversion Committee. Composition and Functions of the Committee. Note by the Joint Secretary. I.D.(48)1', 24 Jul 1948, PRO CAB 134/349; *idem*, 'Report to the Chief Planning Officer. I.D.(49)4 also E.P.B.(49)4', 28 Jan 1949, PRO CAB 134/350. At the same time, Britain attempted to discriminate against 'dollar' oil: Mendershausen, *Dollar Shortage and Oil Surplus*.
34. See Cairncross and Eichengreen, *Sterling in Decline*, ch. 4.
35. Chief Planning Officer, Plowden (T, CEPS) to Chancellor (T), 8 Jul 1948, PRO T 229/119. Plowden was also responsible for coordinating British government departments for ad hoc consultation with the Commonwealth: Makins (FO) to Sargent, 'Sterling Area Planning. Consultation with the Commonwealth', 21 Jul 1948, PRO FO 371/69010.
36. 'Cabinet. Inter-Departmental Organisation for Handling Balance of Payments Questions. Note by the Secretary of the Cabinet. C.P.(47)255', 12 Sep 1947, PRO T 230/277.
37. Grant (T) to Croome (T), 26 Jan 1951, PRO T 233/597. According to Grant, to make London borrowing quasi-obligatory in all cases 'would be carrying financial Imperialism too far'.
38. See Working Party on Colonial Sterling Balances, Summer 1946, T 236/2683; Powell (B/E) to Allport (B/E), 'Colonial Empire. Sterling Balances', 15 May 1947,

- B/E EID 3/179/474/3. For related contemporary academic opinion, see, for example, Robbins, 'The Sterling Problem'.
39. Such measures were called for by the Bank of England: Powell (B/E) to Allport (B/E), 'Colonial Empire. Sterling Balances', 15 May 1947, B/E EID 3/179/474/3.
 40. 'Circular No. 98 from S.o.S. Colonies. Import Licensing Policy', 5 Sep 1947, PRO T 238/54; also circulars of 6 and 20 Aug 1947. For the legacy, see 'Memorandum by the Colonial Office. The Dollar Pool. Note on Measures Taken in the Colonial Empire to Save and Earn Dollars', Nov 1947, B/E EID 3/91/440/5. See also *Board of Trade Journal*, vol. 154, no. 2663, 3 Jan 1948, p. 41.
 41. Colonial Secretary, 'Circular Telegram. Import Licensing', 20 May 1948, PRO T 238/54.
 42. 'Dollar Drain Committee. Colonial Empire. Progress Report by the Treasury. D.D.(47)7', 10 Dec 1947, B/E EID 3/91/440/5.
 43. This started with a statistical exercise on trade with the Western Hemisphere to calculate ceilings for dollar expenditure. See Statistics Office (B/E), 'Colonies', 1 Dec 1947; Statistics Office (B/E), 'Colonial Balance of Payments with the Western Hemisphere', 4 Dec. 1947; *ibid.*, 16 Dec 1947. For the link with the dollar drain exercise, see 'Dollar Drain Committee. Colonial Empire. Progress Report by the Treasury. D.D.(47)7', 10 Dec 1947, all B/E EID 3/91/440/5. See Appendices to chs. 4 and 5.
 44. 'Cabinet. Economic Policy Committee. Dollar Import Programme. Memorandum by the Chancellor of the Exchequer. E.P.C.(49)117', 19 Oct 1949, PRO CAB 134/223.
 45. Colonial Secretary to all colonies, 2 Jan 1952 and 22 Jan 1952, PRO CO 852/1139/5.
 46. Colonial Secretary (CO), 'Circular No. 18', 7 Feb 1948, B/E OV 44/82/1536/1; Colonial Secretary (CO), 'Unnumbered circular', 16 Mar 1948, B/E OV 44/82. Colonial expenditures in Belgium were, however, not substantial (in 1948 about £12 million.): Statistics Office (B/E), 'Colonial Expenditure in the Belgian Monetary Area', 28 May 1948, B/E EID 3/91/440/5.
 47. 'Meeting of Commonwealth Finance Ministers. The European Payments Union. Memorandum by the United Kingdom Delegation. F.M.(52)2', 7 Jan 1952, PRO T 230/215.
 48. A CO circular explains that Britain's EPU quota would be exhausted much too early, and would then need to be reconsidered and settled in gold. Therefore, the colonies should increase their imports from Europe 'to the fullest extent practicable'. See 'Colonial Office Circular Memorandum. Imports from European Countries – European Payments Union', 17 Apr 1951, PRO CO 852/1136/5.
 49. Overseas Negotiations Committee to Economic Policy Committee (Cabinet), 'Japan. Report by the Overseas Negotiations Committee. E.A.(53)32', 24 Feb 1953, PRO CAB 134/847; 'Cabinet. Economic Policy Committee. Minutes. Sterling Area Trade with Japan in 1953. E.A.(53) 8th Meeting', 6 Mar 1953, PRO CAB 134/846.
 50. 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr 1948, PRO CO 852/830/1.
 51. Statistics Office (B/E), 'Colonial Dollar Ceilings', 5 Aug 1948, B/E EID 3/91/440/5.
 52. Poynton (CO) to Brittain (T), 2 Oct 1951; Poynton (CO) to Rowan (T), 2 Nov 1951, PRO CO 537/7831; Gorell Barnes (CO) to Flett (T), 29 Nov 1951, PRO T 229/264; Interdepartmental meeting, 'Colonial Import Programmes. Extract of

- Minutes of Meeting of 28 January', 1 Feb 1952, PRO CO 852/1139/5; Colonial Secretary (CO) to all colonies etc., 'Gold and Dollar Reserves of the Sterling Area', 26 May 1952, PRO CO 537/7831.
53. 'Cabinet. Programmes Committee. Minutes. P.(52) 5th Meeting', 29 May 1952, PRO CAB 134/1123; 'Cabinet. Programmes Committee. The Balance of Payments of the Rest of the Sterling Area in 1952 and 1953. Note by the Treasury', 19 Sep 1952, PRO CAB 134/1124; Chancellor of the Exchequer (T) to Defence and Economic Policy [Committee] (Cabinet), 'Comparison of the Sterling Area's Achievements with the Targets Fixed at the Commonwealth Finance Ministers' Meeting. GEN.411/15', 10 Jul 1952, PRO CAB 130/77.
 54. 'Cabinet. Committee on Colonial Development. 1950 Dollar Ceilings. Report by the Chairman of the Sub-Committee on Imports. C.D.(50)3', 11 Jan 1950, PRO CAB 134/66.
 55. 'Cabinet, Committee on Colonial Development. Colonial Dollar Expenditure', 2 Feb 1951, PRO CAB 134/67.
 56. Colonial Office, 'Brief for the Secretary of State for the Colonies C.(52)195. The Dollar Gap: Second Half 1952', 18 Jun 1952, PRO CO 537/7829.
 57. '[CO Circular] Import Licensing – Relative Desirability of Various Sources of Supply', 20 Jul 1949, PRO T 229/236 and T 238/55. The Colonial Supply Conference, too, discussed desirable sources of colonial supplies.
 58. Compare the following documents: 'Economic Committee (Washington). Minutes. E.C.(W)(52) 5th Meeting', 5 Feb 1952, and 'E.C.(W)(52) 16th Meeting', 29 Apr 1952, PRO CAB 134/862; 'Cabinet. Overseas Negotiations Committee. Steel and Tin-plate Export Requirements 1953 (Note by the Board of Trade). O.N.(52)173', 5 Sep 1952, PRO CAB 134/1089; Davis (Crown Agents, Washington) to Watt (CO), 25 Sep 1952, PRO CO 852/1141/8.
 59. An overall reduction of 20 per cent in US/Japanese textile imports was envisaged. Van Loo (T) to Farmer (CO), 15 Nov 1947; Williams (T) to Davies (CO), 17 Dec 1947, PRO FO 371/62757; Statistics Office (B/E), 'The Colonial Dollar Drain', 10 Dec 1948, B/E EID 3/179/474/3; 'Colonial Dollar Drain Committee. Minutes. 3 Feb 1948. D.D.(Col)(48) 7th Meeting', 16 Feb 1948, PRO CO 852/830/1.
 60. Colonial Office (Economic General Department), 'Survey of Inflationary and Deflationary Tendencies in the Colonies', 21 Jul 1949, PRO CO 852/1052/1.
 61. Dollar Drain Committee (T), 'Dollar Drain Committee. Minutes. 9th February 1950. D.D.(50) 5th Meeting', 13 Feb 1950, PRO T 236/3751.
 62. 'Cabinet. Tariff Policy on Japan. Balance of Payments Prospects of the Sterling Area and Japan. Memorandum by the Chancellor of the Exchequer. GEN.436/5', 16 Jul 1953, PRO CAB 130/87.
 63. Economic Intelligence Department (FO) to Colonial Primary Products Committee (CO), 'Colonial Products Committee. Raw Materials of which the U.S.A. is short. C.P.P.(47)21', 16 Jul 1947, PRO T 229/120. For the terms of reference of the Primary Products Committee, see Colonial Primary Products Committee. C.P.P.(47)[UE 7990], May 1947, PRO FO 371/62557.
 64. 'Cabinet. Imports Diversion Committee. Diversion of Dollar Food Supplies. Memorandum by Ministry of Food. I.D.(48)9', 13 Sep 1948, PRO CAB 134/349.
 65. The situation was to be kept under continuous surveillance by a committee. 'Cabinet. Economic Policy Committee. Minutes. 9th November 1948. E.P.C. (48) 35th Meeting', 9 Nov. 1948, PRO CAB 134/216. This task was taken on by the Committee on Colonial Development: 'Cabinet. Committee on Colonial

- Development. Composition and Terms of Reference. Note by the Secretary of the Cabinet. C.D.(48)1', 16 Dec 1948, PRO CAB 134/65.
66. 'Cabinet. Import Diversion Committee. Colonial Production Targets. Note by the Joint Secretaries. I.D.(48)6', 25 Aug 1948, PRO CAB 134/349.
 67. 'Cabinet. Imports Diversion Committee. Diversion of Dollar Food Supplies. Memorandum by Ministry of Food. I.D.(48)9', 13 Sep 1948, PRO CAB 134/349.
 68. Colonial Secretary (CO) to Gold Coast, 'No. 951 Saving. Confidential', 21 Nov 1947, B/E OV 44/80/1535/2.
 69. For a recent summary of these policies, see Havinden and Meredith, *Colonialism and Development*, ch. 10.
 70. Parliament, 'Overseas Resources Development Bill [1947-8]', Sep 1947, PRO T 233/51. The law also established the Overseas Food Corporation with responsibilities for the independent Commonwealth.
 71. 'Cabinet. Imports Diversion Committee. Minutes. I.D.(49) 5th Meeting', 12 Oct 1949, PRO T 229/235; 'Cabinet. Imports Diversion Committee. Note by the Colonial Office. I.D.(51)3', 8 Feb 1951, PRO CAB 134/351.
 72. 'Commonwealth Economic Conference Preparatory Meeting of Officials. Colonial Development, Memorandum by the UK Delegation', 22 Sep 1952, PRO CO 537/7859.
 73. Colonial Secretary [Lyttelton], 'Circular 184/53, Confidential Dispatch. Development Policy', 21 Feb 1953, PRO CO 852/1365; Flett (T) to Emanuel (CO), 10 Feb 1953, PRO CO 852/1365.
 74. 'Cabinet. Economic Policy Committee. Minutes. 6th May 1948. E.P.C.(48) 18th Meeting', 6 May 1948, PRO CAB 134/216.
 75. 'Commonwealth Economic Conference Preparatory Meeting of Officials, Colonial Development. Memorandum by the UK Delegation', 22 Sep 1952, PRO CO 537/7859.
 76. Exceptions could be made for Malayan reconstruction. They were made for Trinidad (because anticipated local loans did not materialize and there was a danger of economic collapse). The East African High Commission was allowed to raise a loan for transport development in 1949, which was essential for economic development in the region. Colonial Secretary (CO) to colonies, 'Loan Policy', 18 Jan 1949, PRO T 236/636.
 77. Pitblado (T) to Grant (T), 21 Jul 1948, PRO T 220/653.
 78. The Colonial Secretary originally had asked for about £40 million of colonial borrowing for the next 3 to 4 years. Opinion inside the Treasury held that borrowing had to be directly linked to a possible change in the currency cover if it occurred. Pitblado (T) to Rowe-Dutton (T), 14 Sep 1948, PRO T 236/636.
 79. Colonial Secretary (CO) to colonies, 'Loan Policy', 18 Jan 1949, PRO T 236/636.
 80. A CO memo lists the colonial loan requirements for the period 1952-55, and sets them against local development contribution. The overall loan requirement is given as £140 million against £215 million of local contribution. For the Malayan Area a requirement of £25 million against £55 million was listed, and for the Gold Coast one of £20 million against £30 million. The Treasury recommended a level of £80 million for the period, and thought that perhaps a further £50 million could be obtained from IBRD lending. Brittain (T), 'Colonial Borrowing for Development 1952-55', 9 Jun 1951; Colonial Office, 'Colonial Government Loan Requirements 1952-55', 5 Jun 1951, PRO T 220/637.
 81. Potter (T) to Flett (T), 'Colonial Borrowing on London Market', 15 Nov 1952, PRO T 229/712.

82. Bank of England, 'The U.S. Financial Agreement as it Affects Relations with the Sterling Area. SAN(46)4', 8 Feb 1946, PRO T 236/2682; 'Sterling Area Negotiations. Official Committee. Summary of the Second Meeting at the Treasury on 12th February, 1946', 12 Feb 1946, PRO T 236/2682. Treasury to Working Party on Colonial Sterling Balances, 'Colonial Sterling Balances', 3 Jul 1946, PRO T 236/2683.
83. Powell (B/E) to Allport (B/E), 'Colonial Empire. Sterling Balances', 15 May 1947; Statistics Office (B/E), 'Colonial Empire – Sterling Balances. Mr. Powell's Memorandum of 15.5.47', 6 Jun 1947, B/E EID 3/179/474/3.
84. 'Cabinet. Overseas Negotiations Committee. Colonial Import Policy. Note by the Treasury. B.P.(O.N.)(47)140', 9 Dec 1947, PRO T 238/54; 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr 1948, PRO CO 852/830/1.
85. See ch. 6.
86. Cabinet Office, 'Commonwealth Economic Conference. Agreed Minute of Action to Follow the Conference', 11 Dec 1952, PRO CO 852/1365. For the collective approach discussions, see 'Discussion on the Collective Approach to Freer Trade and Currencies. Meeting Held at the State Department at 3 p.m. on 5th March, 1953. U.S. U.K.(53) 4', 5 Mar 1953; 'Discussions on Collective Approach to Freer Trade and Currencies. Sterling Balances. U.S. U.K.(53) 6', 6 Mar 1953; Bolton (B/E) to Parsons (B/E), 'Commonwealth Economic Policy – Next Stage', 6 Mar 1953; also Rootham (B/E) to Siepmann (B/E), 10 Mar 1953, B/E OV 44/60/1528/3.
87. In 1953, this assessment led to the creation of an interdepartmental Working Party on colonial sterling balances. See ch. 6. The perceived need to block some of the balances of the Commonwealth and empire was one factor in the abandonment of the ROBOT scheme: see Newton, *Operation 'ROBOT'*; Eden, the Foreign Secretary, was strongly against the scheme for this reason: see Carlton, *Anthony Eden*, p. 296.
88. Thompson-McCausland (B/E) to Governor (B/E), 'Monetary Consequences of Free Imports', 5 Oct 1953, B/E OV 44/61/1529/1.
89. 'Cabinet. Overseas Negotiations Committee. Colonial Import Policy. Note by the Treasury. B.P.(O.N.)(47)140', 9 Dec 1947, PRO T 238/54.
90. See 'Report of the Working Party on Colonial Sterling Balances', 6 Aug 1953, PRO T 229/692; 'Cabinet. Economic Steering Committee. The Economic Significance of the Colonial Sterling Assets. Note by the Secretary E.S.(53)28', 12 Sep 1953, PRO CAB 134/887.
91. The former was true for Japan, New Zealand, Australia, the latter for Ceylon, Pakistan and India. Only with respect to Egypt did some leverage exist. 'Cabinet. Economic Policy Committee. Future Economic Policy. Memorandum by the Chancellor of the Exchequer. E.A.(53)68', 15 May 1953, PRO CAB 134/848. Colonial balances were under review: Flett (T), 'Sterling Balances and U.K. Exports', 19 Mar 1953, PRO T 236/3352; Brittain (T), 'Colonial Sterling Balances', 11 May 1953, PRO T 233/933.
92. The present evidence supports studies of these issues, such as Ingham, *Capitalism Divided?*; Newton and Porter, *Modernization Frustrated*; and Best and Humphries, 'The City and Industrial Decline'.
93. Maudling to Bridges (T), 1 Jan 1953; Allen (T), 'Savings and Foreign Lending', 10 Jan 1953, PRO T 229/543.
94. See the report on the management of 'unrequited' exports (prepared, among others, by James Meade): 'Cabinet. Balance of Payments. Overseas Negotiations Committee. Methods of Improving the Balance of Payments. B.P.(O.N.)(47)40', 21 Oct 1947, PRO T 230/277.

95. Butler (T) to Prime Minister [Churchill], 21 Apr 1952, PRO T 273/247.
96. For the academic debate, see Booth, 'The "Keynesian Revolution"'; *idem*, 'Defining', in reply to a comment by Jim Tomlinson. See also Schott, 'The Rise of Keynesian Economics'; Weir, 'Ideas and Politics', pp. 67–9.
97. Moggridge, *The Collected Writings, XXVII*, p. 8; also Hinds, 'Sterling and Imperial Policy', p. 150.
98. For accounts of personal opinions, see Gupta, *Imperialism and the British Labour Movement*, ch. 10. On Bevin, see also Bullock, *Ernest Bevin*; for the Colonial Secretary's own assessment, see Creech Jones, 'British Colonial Policy'.
99. Creech Jones (CO) to Bevin (FO), 17 Jul 1947, [UE 6397] PRO FO 371/62557.
100. Colonial Office to colonies, 'The Colonial Empire and the Economic Crisis', 26 Jul 1948, PRO T 229/220.
101. Colonial Secretary (CO) to colonies, 20 Aug 1947, B/E OV 44/82/1536/1.
102. Colonial Secretary to colonies, 'Gold and Dollar Reserves of the Sterling Area', 26 May 1952, PRO CO 537/7831.
103. 'Circular 184/53. Confidential Dispatch. Development Policy', 21 Feb 1953; Flett (T) to Emanuel (CO), 10 Feb 1953, PRO CO 852/1365.
104. 'Commonwealth Liaison Committee. Minutes. C.L.C.(53) 4th Meeting', 25 Feb 1953, PRO CAB 133/114.
105. See 'Cabinet. Economic Policy Committee. Sterling Area Imports from Japan in 1953. Memorandum by the Economic Secretary to the Treasury. E.A.(53)37', 2 Mar 1953; 'Cabinet. Economic Policy Committee. Japan. Note by the Joint Secretary [K.H. Cadbury]. E.A.(53)39', 5 Mar 1953, PRO CAB 134/847.
106. Colonial Secretary to colonies, 'Dollar Ceilings [Circular No. 68]', 26 Aug 1949, PRO T 229/236. 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr 1948, PRO CO 852/830/1.
107. Bank of England to Working Party on Sterling Balances [1949] (T), 'Anglo-U.S. Loan Agreement and the Sterling Balances. S.B.(49)5 [transmitted to the WP on 3 Oct 1949]', Aug 1949, PRO T 236/2698.
108. 'Cabinet. Economic Policy Committee. Sterling Area Imports from the Dollar Area. Memorandum by the Chancellor of the Exchequer. E.P.C.(51) 24', 12 Mar 1951, PRO CAB 134/229.
109. 'Unnumbered Circular', 22 Dec 1949, PRO T 236/2685; Brittain (T) to Clarke (T), 18 Feb 1950, PRO T 236/2687; Treasury, 'Washington Talks on Sterling Balances', 1 Feb 1950, PRO T 236/2687.
110. Bank of England to Working Party on Sterling Balances [1949] (T), 'Anglo-U.S. Loan Agreement and the Sterling Balances. S.B.(49)5 [transmitted to the WP on 3 Oct 1949]', Aug 1949; 'Working Party on Sterling Balances. Report. SB(49)12 (Revised)', Oct 1949, PRO T 236/2698; Treasury, 'The Sterling Balances', [probably] Dec 1949, PRO T 236/2685.
111. Colonial Secretary to colonies, 22 Dec 1949, PRO T 236/2685.
112. See ch. 6.

5 The Colonies, Economic Booms and Trade Discrimination: Britain's Recovery Supported, 1947–53

1. See, for example: for the period of the Second World War, studies in Killingray and Rathbone (eds.), *Africa and the Second World War*; for a particular region, Rudner, 'Financial Policies and Post-War Malaya'; for Labour's discriminatory

management, especially Leruez, *Economic Planning*, ch. 2; for assessments by contemporary economists, Greaves, *The Colonial Sterling Balances*; Hazlewood, 'Sterling Balances'; *idem*, 'Colonial External Finance'; *idem*, 'The Economics'; Newlyn and Rowan, *Money and Banking*; on the sterling balances, see also Hinds, 'Imperial Policy and Colonial Sterling Balances'; for published summaries of important archival material, see Morgan, *The Official History of Colonial Development*, vol. 2, chs. 1 and 2. Valuable statistics are contained in Havinden and Meredith, *Colonialism and Development*, ch. 10.

2. Cowen and Westcott, 'British Imperial Economic Policy'; also Cowen, 'Early Years'.
3. These issues are well documented. A convenient summary is Scammell, *The International Economy*, pp. 14–18.
4. Such a development had been anticipated by the Treasury: Clarke (T) to Eady (T), 'The Bank Memorandum', 26 Mar 1947, PRO T 236/2683; also, Pressnell, *External Economic Policy*.
5. Colonial Office Draft Circular to colonies, Jan 1947, PRO FO 371/62263; Colonial Secretary (CO) to colonies, 'Circular No. 98 from S.o.S. Colonies. Import Licensing Policy', 5 Sep 1947, PRO T 238/54.
6. Colonial Secretary (CO) to colonies, 'Circular Telegram. Import Licensing', 20 May 1948, PRO T 238/54. Such complaints were launched by South Africa in particular: 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr 1948, PRO CO 852/830/1.
7. Unlike the cases of rubber and tin in the interwar period: Hillman, 'Malaya and the International Tin Cartel'.
8. See ch. 3.
9. This monitoring was done in the committees that dealt with the colonial balance of payments, namely the Colonial Dollar Drain Committee in the late 1940s and the Programmes Committee from 1952, and stood under the auspices of the Economic Policy Committee.
10. Milward, 'Motives for Currency Convertibility', p. 264, argues that Britain aimed to achieve a 'rewriting' of Bretton Woods in 1952–3 during the negotiations with the United States on the so-called collective approach.
11. The issue of the sterling balances in Anglo-American diplomacy is given due emphasis in Pressnell, *External Economic Policy*. See for these issues also ch. 4.
12. Chancellor of the Exchequer (T) to Defence and Economic Policy [Committee] (Cabinet), 'Comparison of the Sterling Area's Achievements With the Targets Fixed at the Commonwealth Finance Ministers' Meeting. GEN.411/15', 10 Jul 1952, PRO CAB 130/77; also Dollar Drain Committee (T), 'Minutes, 21 Nov 1951. D.D.(51) 16th Meeting', 21 Nov 1951, PRO T 236/3753.
13. For a general assessment of valuable commodities for the sterling area, see 'Cabinet. Import Diversion Committee. Colonial Production Targets. Note by the Joint Secretaries. I.D.(48)6', 25 Aug 1948, PRO CAB 134/349.
14. 'Cabinet. Imports Diversion Committee. Note by the Colonial Office. I.D.(51)3', 8 Feb 1951, PRO CAB 134/351; 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10 (Revise)', 9 Nov 1953, PRO CAB 130/97; 'Cabinet. Economic Policy Committee. Rice Production. Memorandum by the Secretary of State for the Colonies. E.A.(52)107', 26 Jul 1952, PRO CAB 134/844. See also section 4 below.

15. See, for example, Colonial Office (Economic General Department), 'Survey of Inflationary and Deflationary Tendencies in the Colonies', 21 Jul 1949, PRO CO 852/1052/1.
16. See ch. 4.
17. Studies have addressed many of these issues, though usually without an explicit argument about the wider rationale of British policy and without access to archival documents: see Bangura, *Britain and Commonwealth Africa*, ch. 2. An excellent early case study is Rudner, 'British Financial Policy in Post-War Malaya'.
18. See Hawkins, 'The Growth of a Money Economy'; G. Austin, 'The Emergence of Capitalist Relations'. Important aspects of the link to political mobilization have been preliminarily discussed by Rathbone, 'Businessmen in Politics'.
19. For the legacy, see Meredith, 'The Colonial Office'; *idem*, 'The British Government'.
20. For a case study, see G. Austin, 'Capitalists and Chiefs'.
21. The official assessment from 1951 is Cecil Trevor, *On Banking Conditions in the Gold Coast*. Trevor was a former deputy governor of the Reserve Bank of India. See also Newlyn and Rowan, *Money and Banking*, pp. 279–80. For a contemporary criticism from the development perspective, see Lewis, 'Developing Colonial Agriculture', pp. 11–2; *idem*, 'Report on Industrialisation'. For the legacy: Cox-George, *Studies in Finance*.
22. Studies of the colonies during the late 1940s rarely draw a link to British imperial policy. For accounts of these protests in their own right, see, for example, Austin, *Politics in Ghana*, ch. 2; Apter, *Ghana*, ch. 8; Iliffe, *Modern History of Tanganyika*, pp. 402–4. On the other hand, many studies of the colonies during the Second World War incorporate references to Britain's economic wartime requirements: see studies in Killingray and Rathbone, *Africa and the Second World War*.
23. See Ekundare, *An Economic History of Nigeria*; Isichei, *History of Nigeria*, pp. 405–11. For the effects of British constitutional policy, see Haqqi, *The Colonial Policy*, ch. 4.
24. See Rowan, 'Banking in Nigeria'; Newlyn and Rowan, *Money and Banking*, pp. 104–8; Ekundare, *An Economic History*, pp. 316–17.
25. For British policy on these issues see sections 4 and 5 below.
26. Rudner, 'Financial Policies in Post-War Malaya', pp. 327, 336.
27. See Rudner, 'Development Policies'; Barlow, *The Natural Rubber Industry*, pp. 80–2; also Darwin, *Decolonisation*, pp. 108–9, A.J. Stockwell, 'Decolonisation', and Tarling, *The Fall of Imperial Britain*.
28. See, for example, Spencer, 'Settler Dominance'.
29. Notably with respect to the East African High Commission, the British were prepared to make exceptions regarding the stop on London market finance: Colonial Secretary (CO) to colonies, 'Loan Policy', 18 Jan 1949, PRO T 236/636.
30. The literature on these developments is vast and heterogeneous. For an introduction into the relevant debates, see Bates, *Beyond the Miracle of the Market*; also Throup, *Economic and Social Origins*; for the interwar period, see Brett, *Colonialism*.
31. An early review essay of the colonial state and social change is Lonsdale, 'States and Social Processes'.
32. For the pertinent legacy, see ch. 2.
33. Hopkins, *An Economic History of West Africa*, pp. 207–9; Clauson, 'The British Colonial Currency System'; King, *Money in British East Asia*.

34. See ch. 3.
35. Literature on the history of the marketing boards in Africa has mainly analysed the relationship between British business and Colonial Office policy. The standard contemporary study is Bauer, 'Origins of the Statutory Export Monopolies'. See also Garlick, *African Traders*, p. 14. But compare for the war period Meredith, 'State Controlled Marketing'. The active involvement of the colonial state from 1947 has received less than due attention. A case study covering the war is the unpublished Ph.D. thesis by Jan-Georg Deutsch, *Educating the Middlemen*.
36. Cabinet. Economic Policy Committee, 'Colonial Development. Colonial Office Organisation. Memorandum by the Secretary of State for the Colonies', E.P.C.(49)7, 10 Feb 1949, CAB 134/221.
37. See Apter, *Ghana*, ch. 9.
38. Creech Jones (CO) to colonies, 'Financial Devolution in Africa [CO Circular Despatch]', 16 Jun 1948, PRO CAOG 9/116. See also Gold Coast Official Publications, *Financial Devolution* (Accra, Sessional Paper no 2, 1948). These steps have been misinterpreted by many historians as the beginning of an economic retreat from empire.
39. Fisher (B/E) to Beresford-Stooke (CA), 'Currency and Currency Boards', 7 Aug 1953, B/E OV 7/35/604/1. See also Shannon, 'The Modern Colonial Sterling Exchange Standard', pp. 318–19.
40. See Apter, *Ghana*, ch. 9; Austin, *Politics in Ghana*, ch. 2, Danquah, 'Rural Discontent'.
41. A.J. Stockwell, 'British Imperial Policy'; also Rudner, 'Development Policies'.
42. See Bates, *Beyond the Miracle*, chs. 2 and 3.
43. For overall statistics on these issues, see ch. 3. For official figures on colonial dollar ceilings and dollar expenditure, see Appendix to ch. 5.
44. A further problem in remedying this situation was that, during the Second World War, the West African colonies had been instructed to import textiles from the United States: 'Colonial Dollar Drain Committee. Minutes. 3 Feb 1948. D.D.(Col)(48) 7th Meeting', 16 Feb 1948, PRO CO 852/830/1. The Watson Commission saw the cut in textile imports as a contributory factor to the Accra protests.
45. It was still possible to improve the information on alternative available supplies from UK sources. Here a visit by the Nigerian Minister of Commerce is mentioned as a positive step. Unsigned (CO) to Colonial Secretary (CO), 'Brief for the Secretary of State for the Colonies C.(52)195. The Dollar Gap: Second Half 1952', 18 Jun 1952, PRO CO 537/7829.
46. 'Memorandum by the Colonial Office. The Dollar Pool. Note on Measures Taken in the Colonial Empire to Save and Earn Dollars', Nov 1947, B/E EID 3/91/440/5. 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr 1948, PRO CO 852/830/1.
47. 'Dollar Drain Committee. Report on Colonial Dollar Ceilings for 1949 and 1950. D.D.(50)6', 7 Feb 1950, PRO T 236/3751.
48. Statistics Office (B/E), 'Malaya's Dollar Expenditure', Oct 1948, B/E EID 3/91/440/5; Statistics Office (B/E), 'The Colonial Dollar Drain', 10 Dec 1948, B/E EID 3/179/474/3.
49. 'Cabinet. Committee on Colonial Development. 1949 Dollar Ceilings (Report by the Sub-Committee on Import Programmes). C.D.(49)14', 8 Apr 1949, PRO CAB 134/65.

50. Japanese textile imports posed the problem of imports for re-exports to Indonesia, however. For some of these problems with Japan, see Statistics Office (B/E), 'Malaya's Dollar Expenditure', Oct 1948, B/E EID 3/91/440/5.
51. 'Dollar Drain Committee. Report on Colonial Dollar Ceilings for 1949 and 1950. D.D.(50)6', 7 Feb 1950, PRO T 236/3751; 'Dollar Drain Committee. Minutes. 9th Feb 1950. D.D.(50) 5th Meeting', 13 Feb 1950, PRO T 236/3751.
52. 'Cabinet. Economic Policy Committee. Steel Exports and Colonial Requirements. Memorandum by the Secretary of State for the Colonies. E.P.C.(51)90', 26 Jul 1951, PRO CAB 134/230.
53. Spencer (T, Kuala Lumpur) to Paskin (CO), 26 Jun 1953, PRO T 236/3566.
54. Kisch (EAHC) to Melville (CO), 15 Aug 1952, PRO CO 852/1141/8.
55. CO Draft Circular to colonies, Jan 1947, PRO FO 371/62263; 'Memorandum by the Colonial Office. The Dollar Pool. Note on Measures Taken in the Colonial Empire to Save and Earn Dollars', Nov 1947, B/E EID 3/91/440/5.
56. For example, in the Bank of England: Loynes, Overseas Policy Working Party (B/E), Meeting of 19 Mar 1948, B/E ADM 14/20/808/3.
57. This had been agreed between Caribbean governments in Oct 1947. The actual dollar expenditure fell from \$212 million in 1947 to \$158 million in 1948, and to an estimated \$138 million until devaluation in 1949. See 'Dollar Drain Committee. Report on Colonial Dollar Ceilings for 1949 and 1950. D.D.(50)6', 7 Feb 1950, PRO T 236/3751.
58. 'Colonial Dollar Drain Committee. Taking Stock. Review by the Secretary', Apr 1948, PRO CO 852/830/1; 'Dollar Drain Committee. Report on Colonial Dollar Ceilings for 1949 and 1950. D.D.(50)6', 7 Feb 1950, PRO T 236/3751. 'Dollar Drain Committee. Minutes. 9th February 1950. D.D.(50) 5th Meeting', 13 Feb 1950, PRO T 236/3751.
59. 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10 (Revise)', 9 Nov 1953, PRO CAB 130/97.
60. 'Memorandum by the Colonial Office. The Dollar Pool. Note on Measures Taken in the Colonial Empire to Save and Earn Dollars', Nov 1947, B/E EID 3/91/440/5.
61. The export price per ton increased from £40 in 1946 to £200 in 1948. Colonial Office (Economic General Department), 'Survey of Inflationary and Deflationary Tendencies in the Colonies', 21 Jul 1949, PRO CO 852/1052/1.
62. 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10 (Revise)', 9 Nov 1953, PRO CAB 130/97.
63. Arden Clarke (Governor, Gold Coast) to Gorell Barnes (CO), 19 Sep 1952, PRO CO 852/1150/3. However, the greatest cocoa boom was yet to come in 1954-5. See ch. 7.
64. See, for example, the discussions in 'Gold Coast Cocoa Marketing Board. Minutes of the Twenty-Sixth Meeting of the Board Held in the Offices of the Board at Victoriaborg, Accra, on 1st July 1950', 1 Jul 1950 and 21 Apr 1950; 'Joint Provincial Council - June Session: 1950. Protest of Gold Coast Farmers Congress. Recommendation No. 10', Jun 1950, PRO CO 852/1149/7.

65. 'Memorandum by the Colonial Office. The Dollar Pool. Note on Measures Taken in the Colonial Empire to Save and Earn Dollars', Nov 1947, B/E EID 3/91/440/5.
66. 'Cabinet. Imports Diversion Committee. Note by the Colonial Office. I.D.(51)3', 8 Feb 1951, PRO CAB 134/351.
67. Governor of Nigeria to Colonial Secretary (CO), 4 Nov 1952, PRO CO 537/7859.
68. 'Cabinet. Economic Policy Committee. Production of Raw Materials in the Colonial Empire. Memorandum by the Secretary of State for the Colonies. E.P.C.(51) 18, 26 Feb 1951, PRO CAB 134/229.
69. 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10 (Revise)', 9 Nov 1953, PRO CAB 130/97.
70. 'Cabinet. Economic Policy Committee. Rice Production. Memorandum by the Secretary of State for the Colonies. E.A.(52)107', 26 Jul 1952, PRO CAB 134/844; 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10 (Revise)', 9 Nov 1953, PRO CAB 130/97.
71. 'Cabinet. Official Committee on Preparations for Commonwealth Finance Ministers' Meeting. United Kingdom Working Party on Commonwealth Development. Colonial Development since the Commonwealth Economic Conference of 1952. Note by the Colonial Office. GEN.446(D.P.)(53)10 (Revise)', 9 Nov 1953, PRO CAB 130/97.
72. Parsons (B/E) to Fisher (B/E), 'The Colonies', 4 Feb 1953; Fisher (B/E) to Governor (B/E), 'The Colonies. Sterling Funds. My Note dated 26 Jan', 4 Feb 1953, B/E OV 44/83/1536/2; Caine (T) to Clarke, Rowe-Dotson, Playfair (T), 'Note on Future Policy', 26 Aug 1948, PRO T 236/3940.
73. Clarke (T), 'The Future of the Sterling Area', 20 Nov 1951, PRO T 236/4611.
74. See the discussions in 'Cabinet. Official Committee on Economic Development (Overseas). Working Party on Economic Development in South and South-East Asia. E.D.(S.A.)(50)34. Position of the Colonies in Relation to Development Aid for South-East Asia. Note by the Treasury', 24 Apr 1950, PRO T 220/637; Brittain (T) to Gorell Barnes (CO), 1 May 1950', PRO T 236/2691.
75. See Parliament, 'Overseas Resources Development Bill [1947-8]', Sep 1947, PRO T 233/51. An excellent analysis of the role of British state enterprise in the colonial context is Cowen, 'Early Years of the Colonial Development Corporation'. For a contemporary academic assessment, see Hazlewood, 'The Colonial Development Corporation'; for the quasi-official history, see Rendell, *History*; cf. also Pedler, 'British Planning'.
76. Boss (CO), 5 Jul 1948, PRO CO 852/767/6.
77. Hulland (CO), 'Summary of the Gold Coast Banking (Legislation) Case', 25 Oct 1948, PRO CO 852/767/6; Danquah, 'The Gold Coast Bank Ordinance [proposal by J.B.Danquah]', 4 May 1948, PRO CO 852/676/6. See also Meredith, 'The Colonial Office', pp. 286, 296, 299.
78. Bank of England (Overseas & Foreign Office) to Powell (B/E), 'Gold Coast: Draft Ordinance for the Establishment of a State-Aided Bank - "The Gold Coast Bank"', 12 Aug 1948, B/E OV 69/1/2765/3.

79. Paton, 'Report on the Development and Control of Banking and Agricultural Credit Facilities in the Gold Coast', Jan 1949, PRO CO 852/767/7.
80. G.D. Paton, 'Report on the Development and Control of Banking and Agricultural Credit Facilities in the Gold Coast', Jan 1949, PRO CO 852/767/7.
81. Payton (B/E) to Powell (B/E), 1 Jun 1951, B/E OV 69/2/2765/4.
82. Payton (B/E) to O'Brien (Chief Cashier, B/E), 7 Jul 1951, B/E OV 69/2/2765/4.
83. Bank to Chief Cashier, Deputy Governor (B/E), 'Gold Coast', 16 Aug 1951, B/E OV 69/2/2765/4. Cecil Trevor, *On Banking Conditions in the Gold Coast*.
84. Payton (B/E) to Powell (B/E), 1 Jun 1951, B/E OV 69/2/2765/4.
85. Payton (B/E) to O'Brien (B/E), 7 Jul 1951, B/E OV 69/2/2765/4. Compare also Caine (written anonymously), 'Ceylon's Central Banking Experiment'.
86. At the end of 1952, the UGCC put this demand in the so-called Saltpond declaration: Eggleston (Ministry of Finance, Accra) to Jackson (B/E), 19 Sep 1952, B/E OV 7/35/604/1.
87. Fisher (B/E) to Melville (CO), 19 May 1953; Melville (CO) to Arden-Clarke (Governor, Gold Coast), 21 Nov 1952, PRO CO 1025/5A; Fisher, *Report*. See also Brown, *The Nigerian Banking System*, pp. 129–34.
88. See ch. 4.
89. Colonial Office, 'Conference on the Technique of Development Finance. Investment of Currency Funds. TDF.(51) 10th Meeting (Part IV)', 14 Jun 1951, PRO CAOG 9/149.
90. Bank of England (Overseas & Foreign Office) to Powell (B/E), 'Gold Coast: Draft Ordinance for the Establishment of a State-Aided Bank – "The Gold Coast Bank"', 12 Aug 1948, B/E OV 69/1/2765/3.
91. 'Cabinet. Import Diversion Committee. Division of East African Cotton Crop Between United Kingdom and India. Note by the Board of Trade in Conjunction with the Commonwealth Relations Office and the Colonial Office. I.D.(49)22', 7 Dec 1949, PRO CAB 134/350.
92. Rudd (B/E, Overseas & Foreign, Group IX) to Jackson (B/E), 'World O.G.L.'s in the Colonies', 18 Sep 1951; Statistics Office to Selwyn (B/E), 'Colonial Dollar Import Programmes', 15 Jan 1952, B/E EID 3/93/441/2.
93. For such an argument, see 'Cabinet. Committee on Colonial Development. The Alteration in the Sterling-Dollar Exchange Rates. Implications for the Colonies. Note by the Joint Secretaries. C.D.(49)39', 22 Oct 1949, PRO CAB 134/65.
94. For details, see, for example, Colonial Office, 'Memorandum on Control by the Secretary of State of Colonial Currency', Jun 1953, PRO CO 1025/5A.
95. A recent account of the management of political reform by the Colonial Office with respect to the Gold Coast is Guderzo, 'l'Indipendenza del Ghana'. However, this study does not adequately assess Britain's priorities during the period.
96. Cf. Nkrumah's motto: 'Seek ye first the political kingdom and all things will be added unto you'.
97. Payton (B/E) to O'Brien (B/E), 7 Jul 1951, B/E OV 69/2/2765/4.
98. Danquah, 'A National Bank. Trevor's Recommendations Reviewed', 23 Sep 1952, B/E OV 7/35/604/1.
99. This seems to have satisfied the Bank of England, Payton (B/E, Overseas and Foreign Office, Group III) to Powell (B/E), 'Gold Coast State Aided Bank', 29 Mar 1951, B/E OV 69/1/2765/3.
100. Compare the evidence provided in this and the previous chapter, and Rudner, 'Financial Policy in Post-War Malaya', with A.J. Stockwell, 'Decolonisation', and White, 'Business'. White provides useful evidence but is unconvincing in his

general interpretation, which, in order to be viable, needs to define the respective interests of government and business, and not simply to identify 'fissures' between them.

101. Stubbs, *Counter-Insurgency and the Economic Factor*; Rudner, 'Development Policies'.
102. Fisher (B/E) to Kershaw (B/E), 'Nigeria. West African Currency', 16 Dec 1952, B/E OV 68/12/2765/1.
103. Corley (B/E, Overseas & Foreign Office, Group IX) to Jackson (B/E), 'Native and British Banking in Nigeria', 19 Dec 1952, B/E OV 68/2/2763/1.
104. 'Nigerian Constitutional Conference. Note for the United Kingdom Delegation on Reserve Powers in the Financial Sphere', Dec 1953, PRO CO 554/842.

6 Britain and Economic Liberalization: Imperial Relations Adjusted, 1953–56

1. Contemporary and recent studies of Britain's external economic relations are valuable sources for studying the process of liberalization. See notably Strange, *Sterling*; Cairncross, *The British Economy*, ch. 3; Milward, 'Motives for Currency Convertibility'; Pollard, *The Development*; Dow, *The Management*, pp. 70–103; Harrod, *The Pound Sterling*; Polk, *Sterling*; and Brittan, *The Treasury*; see also Schenk, *Britain and the Sterling Area*; *idem*, 'The Sterling Area'. Some relevant points from the viewpoint of imperial relations are made by Holland, 'The Imperial Factor'. More recently, Louis and Robinson, 'The Imperialism of Decolonization', have taken a very broad view of Britain's overseas policy against the background of her sterling relations in the 1950s.
2. These issues are dealt with at length elsewhere. See, for example, Dow, *The Management*, chs. 3 and 9; Shonfield, *British Economic Policy*; Cairncross, *The British Economy*, ch. 3; Brittan, *Steering*; *idem*, *The Treasury*; Hutchison, *Economics and Economic Policy*. For a review of contemporary academic opinion, see Kindleberger, 'The Position'.
3. For a near-contemporary assessment of the move towards convertibility, see Harrod, *The Pound*; Kenen, *British Monetary Policy*, pp. 92–7; for a recent study, see Milward, 'Motives'.
4. See, for example, Thompson-McCausland (B/E) to Governor (B/E), 'Monetary Consequences of Free Imports', 5 Oct 1953, B/E OV 44/61; also Thompson-McCausland (B/E) to Governor (B/E), 'Collective Approach Committee [Gilbert Committee]', 21 Jun 1954, B/E ADM 14/39; Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65. For figures on the balances, see Appendix to ch. 6.
5. This is borne out by the changed role attributed to the Colonial Development Corporation. Little emphasis was now put on production schemes and more on financing schemes. See Cowan, 'Early Years', p. 69. See also 'Circular 184/53, Confidential Dispatch, Development Policy', 21 Feb 1953, PRO CO 852/1365. For projected figures on loans and self-financing during the period, see Appendix to ch. 6.
6. See discussions in the Economic Policy Committee ('Cabinet. Economic Policy Committee. Future Economic Policy. Memorandum by the Chancellor of the Exchequer. E.A.(53)68', 15 May 1953, PRO CAB 134/848), the Working Party on Colonial Sterling Assets of 1953 (PRO T 236/3562, T 229/692 and 693, CAB 134/887), and the Sterling Area Working Party of 1955–6 (PRO T 236/3932, B/E OV 44/31/1519/3).

7. For a summary discussion of relevant structural issues, see ch. 3. For a summary discussion of policy issues, see Krozewski, 'Finance'.
8. These policy issues area addressed in sections 3–5 below.
9. See, for example, Flett (UK Treasury and Supply Delegation, Washington) to Vinter (T), 18 Jan 1955, PRO T 236/3968. Relevant to the broad context are studies of Anglo-American relations: Strange, *Sterling*; Gardner, *Sterling–Dollar Diplomacy*; Dobson, *The Politics*; of Britain's European relations: Dockrill and Young, *British Foreign Policy*; Kaplan and Schleiminger, *The European Payments Union*; and of international economic organization: Scammell, *The International Economy*; Patterson, *Discrimination*; Kock, *International Trade Policy*; Horsefield, *The International Monetary Fund*; Spero, *The Politics*.
10. See Economic Committee (British Embassy, Washington), 'Minutes. E.C.(W)(55) 16th Meeting', 3 May 1955, PRO CAB 134/865.
11. 'Meeting of Commonwealth Finance Ministers, Washington. F.M.(W.)(54) 2nd Meeting', 30 Sep 1954, PRO CO 852/1580.
12. For developments in the period 1947–53, see ch. 4.
13. 'Cabinet. Economic Policy Committee. Future Economic Policy. Memorandum by the Chancellor of the Exchequer. E.A.(53)68', 15 May 1953, PRO CAB 134/848.
14. Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65/1530/2.
15. For the gradualist approach after 1953, by the Treasury in particular, see, for example, 'Cabinet. Committee on External Economic Policy. E.E.E.(54) 1st Meeting, Minute 1. Confidential Annex. Collective Approach: The Present Position', 9 Jul 1954, PRO CAB 134/869; Rowan (in conjunction with Hall) (T), 'The Collective Approach', 1 Nov 1954, PRO T 230/268.
16. For such concerns, see, for example: 'Cabinet. Economic Policy Committee. Minutes. E.A.(55) 4th Meeting', 4 Feb 1955, PRO CAB 134/854.
17. For the discussions summarized in the following paragraph, see Bank of England, 'I.M.F. Article XIV', 1 Jul 1954, B/E ADM 14/39/806/5; Economic Policy Committee (British Embassy, Washington), 'Minutes. E.C.(W)(55) 24th Meeting', 28 Jun 1955, PRO CAB 134/865; Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65/1530/2; Treasury, 'I.M.F. I.B.R.D.: Tenth Annual Meeting. I.M.F.: Articles VIII and XIV. B.F.(55)6 Final', 8 Sep 1955, PRO T 231/681.
18. Bank of England, 'I.M.F. Article XIV', 1 Jul 1954, B/E ADM 14/39/906/5.
19. In particular, large colonial dollar earners, such as the Gold Coast and Malaya, asked Britain to make concessions on the holding of independent dollar and gold reserves. See ch. 7.
20. See, for example, Bolton (B/E) to Governors (B/E), 'Sterling Balances and Monetary Policy', 4 Apr 1956, B/E OV 44/65/1530/2.
21. See, for example, 'Cabinet. Working Party on United Kingdom Export Trends. Seventh Report of the Working Party. U.K.(E)(56) 17 Final', 7 Jan 1957, PRO CAB 134/2555. See also Caine, 'Britain Revisited'.
22. See OEEC, 'Council. Problems of a Move To Convertibility. Report by the Managing Board of the European Payments Union', 14 Apr 1954, PRO BT 11/5294.
23. *Ibid.*; also Cohen (BT), 'Meeting of O.E.E.C. Ministers on Convertibility', 13 Jul 1954, PRO BT 11/5291.
24. 'Cabinet. Economic Steering Committee. The Economic Implications of European Common Market. Memorandum by the Mutual Aid Committee. E.S.(55) 16', 28 Oct 1955, PRO CAB 134/889.

25. See, for example, Cabinet Office, 'Commonwealth Economic Conference. Agreed Minute of Action to Follow the Conference', 11 Dec 1952, PRO CO 852/1365.
26. References to the prewar situation were frequent, but not always accurate. For example, Fisher, of the Bank of England, criticized Rowan, of the Treasury, for thinking that voluntary sterling balances beyond reserve requirements in the Commonwealth were the normal feature of the interwar sterling area. See Fisher (B/E) to Governors (B/E), 'The Sterling Area and System', 27 Oct 1955, B/E ADM 14/43/807/4.
27. See, for example, 'Cabinet. Programmes Committee. Minutes, P.(53) 10th Meeting', 31 Mar 1953, PRO CAB 134/1125; 'Meeting of Commonwealth Finance Ministers. Minutes. F.M.(W)(56) 1st Meeting', 28 Sep 1956, PRO DO 35/5637.
28. 'Meeting of Commonwealth Finance Ministers. Minutes, F.M.(W)(56) 1st Meeting', 28 Sep 1956, PRO DO 35/5637.
29. See the chart in Dow, *The Management*, p. 233.
30. For an account and assessment of British economic policy during the period, see notably Dow, *The Management*; Brittan, *Steering*, ch. 5.
31. In 1954, the transferable account was extended to include also the bilateral account areas of non-sterling non-dollar countries. The bilateral account was abolished. For the various changes of authorized sterling transactions in the 1940s and 1950s, see Tew, *International Monetary Cooperation*, ch. 13; *idem*, *The Evolution*.
32. See the deliberations of the Collective Approach Committee or Gilbert Committee in B/E ADM 14/39 and 14/40.
33. See chs. 4 and 5.
34. Butler (T) to Committee on External Economic Policy (Cabinet), 'World Trade Principles and Rules. Memorandum by the Chancellor of the Exchequer', 5 Jul 1954, PRO CAB 134/869; 'Cabinet. Economic Policy Committee. Minutes E.A.(55) 4th Meeting', 4 Feb 1955, PRO CAB 134/854.
35. Treasury, 'I.M.F. I.B.R.D.: Tenth Annual Meeting. I.M.F.: Articles VIII and XIV. B.F.(55)6 Final', 8 Sep 1955, PRO T 231/681; also Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65/1530/2.
36. This was due to the provisions of the Congo Basin Treaty and the Anglo-French Convention entered upon by the British government in 1898. See, for example, Brett, *Colonialism*, pp. 148–60.
37. Rowan (in conjunction with Hall) (T), 'The Collective Approach', 1 Nov 1954, PRO T 230/268.
38. For introductions into these developments in their own right, see Greenwood, *Britain*; Camps, *Britain*; Dockrill and Young, *British Foreign Policy*. Plan G was officially announced in Parliament in Oct 1956.
39. For these discussions, see Maudling [Economic Secretary] to Bridges (T), 1 Jan 1953; Allen (T), 'Savings and Foreign Lending', 10 Jan 1953; Allen (T) to Strath (T), 'Overseas Investment', 3 Feb 1953, all PRO T 229/543; Flett (T), 'Organization for Vetting Proposals for Overseas Investments', 6 Feb 1953, PRO T 220/638; Bridges (T) to Maudling, 'Overseas Investment', 24 Feb 1953; Maudling to Bridges (T), 'Overseas Investment', 5 Mar 1953; Hillis ? (T) to Flett (T), 'U.K. Investment in the Sterling Area', 19 Mar 1953, all PRO T 229/543; Littler (T) to Hall, Jukes, Watts, Hemming (T), 'How Much Can We Afford to

- Lend for Overseas (Especially Commonwealth) Development?', Dec 1953, PRO T 230/280. Priorities in overseas investment were decided by the Capital Issues Committee (see Dow, *The Management*, pp. 243–6), and for the colonies by the Treasury and Bank of England.
40. Bank of England [Overseas & Foreign Office] to Haslam (B/E), 'India, Pakistan and Ceylon', 23 Feb 1956, B/E ADM 14/44/807/5. Similar steps towards relaxation were negotiated with Argentina and Egypt.
 41. See Bank of England to Sterling Area Working Party, 'Independent Gold and Dollar Reserves. S.A.W.P.(56)20', 17 Apr 1956, PRO T 236/5369.
 42. For an assessment of this trend, see 'Cabinet. Committee on Balance of Payments Prospects. Minutes. B.P.(56) 7th Meeting', 12 Jun 1956, PRO CAB 134/1198.
 43. See its report: 'Cabinet. Economic Steering Committee. The Economic Significance of the Colonial Sterling Assets. Note by the Secretary E.S.(53)28', 12 Sep 1953, PRO CAB 134/887.
 44. See for these issues 'Working Party on Colonial Sterling Balances. Terms of Reference. Note by the Chairman. C.S.B.(53)1', 12 Jun 1953; *idem*, 'Currency Backing. Note by the Bank of England. C.S.B.(53)8', 25 Jun 1953, both PRO T 229/692; and particularly the report of the Working Party enclosed with 'Cabinet. Economic Steering Committee. The Economic Significance of the Colonial Sterling Assets. Note by the Secretary E.S.(53)28', 12 Sep 1953, PRO CAB 134/887; also Potter (T) to Armstrong (T), 'Colonial Sterling Assets', 3 Nov 1953, PRO T 236/3353. Some measures bear resemblance to those proposed but not implemented in 1945. In fact, the Working Party studied the 1945 files: 'Working Party on Colonial Sterling Balances. Currency Funds. Note by the Colonial Office C.S.B.(53)5', 19 Jun 1953, PRO T 233/933.
 45. See 'Working Party on Colonial Sterling Balances. The Investment Policy of the Crown Agents. Note by the Crown Agents for the Colonies. C.S.B.(53)14', Jul 1953, PRO T 229/692; and the above-mentioned report of the Working Party. See also *The Financial Work of the Crown Agents* (Crown Agents, 1948, 2nd rev. edn. 1955).
 46. Charles (T, IF) to Treasury (OF), 'Note – Colonial Sterling Balances', 28 May 1954; Treasury [OF], 'Notes for the Discussion Between Treasury Ministers and the Secretary of State for the Colonies. Balance of Payments', 26 Nov 1954, PRO T 236/3562; Drake (T) to Melville (CO), 'C.D. and W.', 28 May 1954, PRO CO 1025/97.
 47. Wragge Morley (T) to Kahn, Hillis, Dalton, Mitchell, Littler (T), 'Colonial Sterling Assets', 31 Mar 1955, PRO T 236/4253.
 48. See Colonial Secretary, 'Exchange Control: Non-Resident Capital Investment [Circular Savingram]', 15 Aug 1953, PRO T 236/3566.
 49. 'Problems of the Sterling Area. Report by a Working Party of the Treasury and the Bank of England. S.A.W.P.(56)33(Addendum)', 18 Jun 1956, B/E OV 44/32/1520/1.
 50. See ch. 8.
 51. 'We cannot rely on force to keep the area together; we must therefore rely on persuasion.' 'Treasury/Bank Working Party on the Sterling Area. Sterling Area after Convertibility. S.A.W.P.(55)5', 13 Dec 1955, PRO T 236/3932.
 52. For these discussions, see Maudling to Bridges (T), 1 Jan 1953, PRO T 229/543; 'Cabinet. Economic Policy Committee. Future Economic Policy. Memorandum by the Chancellor of the Exchequer. E.A.(53)68', 15 May 1953, PRO CAB

- 134/848; Allen (T) to Strath (T), 'Overseas Investment', 3 Feb 1953; Bridges (transmitted by) (T) to Maudling (Economic Secretary), 'Overseas Investment', 24 Feb 1953; Maudling to Bridges (T), 'Overseas Investment', 5 Mar 1953, all PRO T 229/543.
53. Though some Conservative politicians had vested interests in parts of the empire. See Goldsworthy, 'Keeping'; Murphy, *Party Politics*.
 54. See, for example, 'Treasury/Bank Working Party on the Sterling Area. Sterling Area after Convertibility. S.A.W.P.(55)5', 13 Dec 1955, PRO T 236/3932.
 55. See, for example, 'Cabinet. Committee on Preparations for Commonwealth Economic Conference. Commonwealth Sterling Balances. Memorandum by a Group of Officials', 29 Aug 1952, PRO CAB 130/78.
 56. See notably statements by the head of the Treasury's Overseas Finance Division, Sir Leslie Rowan: for example, Rowen (T) to Armstrong (T), 'Colonial Sterling Assets', 26 May 1954, PRO T 236/3562.
 57. See ch. 3. For territorial figures, see Appendix to ch. 6.
 58. Bank of England, 'Sterling and Western Europe. Re-draft of Appendix I', 23 Feb 1954, B/E OV 44/62/1529/2. Some form of exchange control remained in force in Britain until 1979, when abolished by the Thatcher government.
 59. For structural problems, see ch. 3.
 60. Important documents that reflect this judgement include Cobbold (Governor, B/E) to Bridges (T), 6 Mar 1953, PRO T 236/3352; Colonial Office Meeting, 'London Market for Colonial Loans', 9 Oct 1953, PRO CO 1025/14; O'Brien (Chief Cashier, B/E) to Compton (T), 'Colonial Borrowing in London', 22 Oct 1956, PRO T 233/1245.
 61. See ch. 8.
 62. Such views were also advanced in academic studies prepared for the Colonial Office. See notably Greaves, *The Colonial Sterling Balances*; and *idem*, *Colonial Monetary Conditions*. Cf. also views expressed by Paul Einzig in the *Financial Times*.
 63. For structural problems and statistics, see ch. 3.
 64. The Central Office of Information edited a propaganda leaflet on British aid to the colonies and the Commonwealth. This propaganda statement was destined for Commonwealth and Colonial territories. It gave a bright picture of the record of British aid, in sharp contrast to the assessment in the same file that the colonies had so far largely financed development on their own. Central Office of Information (London), 'Britain's Contribution to Economic Development Overseas', Jun 1956, PRO CO 1025/113.
 65. See, for example, O'Brien (B/E) to Compton (T), 'Colonial Borrowing in London', 22 Oct 1956, PRO T 233/1245; Compton (T) to Poynton (CO), 4 Dec 1956, PRO CO 1025/86.
 66. For such an opinion, see Maudling to Chancellor (T), 15 Nov 1954, PRO T 220/639.
 67. 'Cabinet. Committee on External Economic Policy. Minutes', 27 Jul 1954, PRO CAB 134/869. Amery's lobbying in Parliament had no impact on Britain's overall policy approach.
 68. For the imperial dimension, see 'Cabinet. Economic Steering Committee. The Economic Implications of a European Common Market. Memorandum by the Mutual Aid Committee. E.S.(55)16', 28 Oct 1955, PRO CAB 134/889; Clarke (T) to France, Figgures (T), 'Colonies and Plan G', 25 Oct 1956, PRO T 234/223; also Colonial Office to Maude (T), 5 Oct 1956, PRO T 234/223.
 69. See ch. 4, section 5.

70. See, for example, Hall (T) to Gilbert (T), 'Proposals from the Bank', 5 May 1954, PRO T 230/264; Thompson-McCausland (B/E) to Bolton (B/E), 'Sir Robert Hall's Paper on "Where We Stand"', 25 Jun 1954, B/E ADM 14/39/806/5. Within the Bank it was, moreover, doubted that 'non-resident' convertibility was feasible, while restricting 'resident' convertibility. This would mean too much of a strain on 'oriental loyalty'. Fisher (B/E) to Governors (B/E), 'The Sterling Area and System', 27 Oct 1955, B/E ADM 14/43/807/4.
71. Thompson-McCausland (B/E) to Governor (B/E), 'Collective Approach Committee [Gilbert Committee]', 21 Jun 1954, B/E ADM 14/39/806/5.
72. For the origin of these debates within the Bank, see Fisher (B/E) to Governor (B/E), 'The Colonies. Sterling Funds', 26 Jan 1953; Parsons (B/E) to Fisher (B/E), 'The Colonies', 4 Feb 1953; Fisher (B/E) to Governor (B/E), 'The Colonies. Sterling Funds. My Note dated 26 January', 4 Feb 1953, all B/E OV 44/83/1536/2; Cobbold (B/E) to Bridges (T), 6 Mar 1953, PRO T 236/3352.
73. Cobbold (B/E) to Bridges (T), 6 Mar 1953, PRO T 236/3352. Initially, the matter had been raised within the Bank by Fisher, the Bank's main adviser on colonial affairs and its representative on colonial currency boards. He took the case to the Governor. Originally (when the Colonial Office raised the issue at the beginning of 1952), the Bank had been against such discussions because this would have revealed the growing borrowing problems. See Fisher (B/E) to Governor (B/E), 'The Colonies. Sterling Funds', 26 Jan 1953, B/E OV 44/83/1536/2. The matter was first discussed between the Bank and the Treasury without implicating the Colonial Office or Crown Agents. Flett (T) to Brittain (T), 16 Mar 1953, PRO T 236/3352.
74. 'Working Party on Colonial Sterling Balances. Currency Backing. Note by the Bank of England. C.S.B.(53)8', 25 Jun 1953, PRO T 229/692. The pros and cons of fresh borrowing or the reduction of balances are also discussed in 'Working Party on Colonial Sterling Balances. Note by the Bank of England. C.S.B.(53)9', 29 Jun 1953, PRO T 229/692. For the Bank's assessment of the Working Party's recommendations, see Fisher (B/E) to Governor (B/E), 'Working Party on Colonial Sterling Assets', 28 Sep 1953, B/E OV 44/83/1536/2.
75. 'Treasury/Working Party on the Sterling Area. Sterling Area after Convertibility. S.A.W.P.(55)5', 13 Dec 1955, PRO T 236/3932.
76. Cobbold (B/E), 'Governor's Note', 5 Mar 1956, B/E OV 44/31 and ADM 14/44/807/5. See also Rootham (B/E) to Thompson-McCausland (B/E), 4 Jan 1956, B/E ADM 14/44/807/5; Stamp (B/E) to Thompson-McCausland (B/E), 'Sterling Balances. Part I of your Note', 4 Jan 1956, B/E OV 44/30/1519/2. Fisher and Loynes held similar views in commenting on Thompson-McCausland's draft: Fisher (B/E) to Thompson-McCausland (B/E), 6 Jan 1956, B/E OV 44/30/1519/2; Loynes (B/E) to Thompson-McCausland (B/E), 'Sterling Area Working Party', 8 May 1956, B/E ADM 14/44/807/5. Dissenting opinion later became converted to the view that the colonial sterling balances might well constitute a considerable risk. Compare Thompson-McCausland (B/E), 'The Sterling Balances', 3 Jan 1956, B/E OV44/30/1519/2 with Thompson-McCausland (B/E) to Governor (B/E), 18 Apr 1956, B/E ADM 14/44/807/5. McCausland changed his draft on the issue: Thompson-McCausland (B/E), 'Draft. Sterling Balances. Part IV. General Conclusions on Parts I to III', 9 Feb 1956, B/E OV 44/31/1519/3; Bank of England, 'The Sterling Balances. Part IV. General Conclusions to Parts I to III. S.A.W.P.(56) 17', 26 Mar 1956, B/E ADM 14/44/807/5.
77. Bolton (B/E) to Governors (B/E), 'Sterling Balances and Monetary Policy', 4 Apr 1956, B/E OV 44/65/1530/2.

78. O'Brien (Chief Cashier, B/E) to Compton (T), 'Colonial Borrowing in London', 22 Oct 1956, PRO T 233/1245.
79. O'Brien (B/E) to Excell (B/E), 'Trustee Status', 27 Jul 1956, B/E C 40/979/1757/2; see also the discussions on the Colonial Stock Acts: O'Brien (B/E), 'Trustee Status', 9 Jul 1956, B/E C 40/979/1757/2; O'Brien (B/E) to Peppiat (B/E), 'Trustee Status', 15 Aug 1956, B/E C 40/979/1757/2.
80. This cautious assessment gave rise to a number of policy exercises on the impact of trade liberalization and the high level of colonial sterling balances. For a list, see Stevenson (T, Exchange Control), 'Convertibility', 26 Mar 1954, PRO T 231/681.
81. Treasury (CEPS) to Working Party on Colonial Sterling Balances, 'Sterling Assets of the Colonies. Note by the Treasury (C.E.P.S.). C.S.B.(53)4', 19 Jun 1953, PRO T 229/692. 'On the assumption made in this paper, a fall in the Colonial sterling balances by between £200 and £300 million might be anticipated in the event of a two-year recession involving a fall in the value of Colonial exports by about a third.' 'Working Party on Colonial Sterling Balances. Economic Issues. Note by the Treasury (C.E.P.S.)', 27 Jul 1953, PRO T 229/692.
82. This was feared by Rowan, the head of the Treasury's Overseas Finance Division and one of the instigators of the ROBOT scheme. See Rowen (T) to Armstrong (T), 'Colonial Sterling Assets', 26 May 1954, PRO T 236/3562; Wragge Morley (T) to Kahn, Hillis, Dalton, Mitchell, Littler (T), 'Colonial Sterling Assets', 31 Mar 1955, PRO T 236/4253. See also the assessments by the Treasury, the Board of Trade, and the Colonial Office on colonial dollar liberalization: Board of Trade, 'Restrictions Imposed by Other Commonwealth and Foreign Countries on Imports from the Dollar Area', 16 Jul 1954, PRO BT 11/5291; Dalton (T), 'Study of U.K. Trade with the Colonies – ON(55)19', 10 Feb 1955, PRO T 238/288; Colonial Office, 'Analysis of Replies Received to Circular Telegram of 1st June. Liberalisation of Dollar Imports: Estimates of Cost', 10 Sep 1955, B/E EID 3/93/441/2.
83. Rowen (T) to Armstrong (T), 'Colonial Sterling Assets', 26 May 1954, PRO T 236/3562; also Potter (T) to Armstrong (T), 'Colonial Sterling Assets', 24 May 1954, PRO T 236/3562. The most important investigation was the 'Littler exercise' of 1954 and 1955. See Dalton (T) to Hillis (T), 'Colonial Sterling Assets', 15 Mar 1955, PRO T 236/4253. The Treasury also investigated the question of dollar liberalization and the pattern of UK trade with the colonies under conditions of convertibility. Dalton (T), 'Study of U.K. Trade with the Colonies – ON(55)19', 10 Feb 1955, PRO T 238/288.
84. See the criticism of the Rowan memorandum for the S.A.W.P. of 3 Oct by the Bank: Fisher (B/E) to Governors (B/E), 'The Sterling Area and System', 27 Oct 1955, B/E ADM 14/43/807/4.
85. Forsyth (T, IF) to Burdett (T, OF), 'Colonial Loans Programme, 1956', 31 Jan 1956, PRO T 220/655.
86. Light (T, OF) to Bristow (T, CEPS), Dalton (T, OF), Thimont (T, HF), 'C.O. Draft Despatch About Loan Finance', 28 Jun 1955, PRO T 220/640.
87. Charles (T, IF) to Treasury (OF), 'Note – Colonial Sterling Balances', 28 May 1954, PRO T 236/3562.
88. Compton (T) to Poynton (CO), 4 Dec 1956, PRO CO 1025/86.
89. This is borne out by numerous documents. See especially the views expressed in Col. 298 and the discussions surrounding it. See *Memorandum on the Sterling Assets of the British Colonies* (London, HMSO, 1953), and T 236/3562. The Treasury stopped short of blocking the publication of the paper at ministerial level because of the inaccuracy of its interpretation, and accused the Colonial Office of deliberate

- misinformation. Later on, however, the Treasury was satisfied because the publication proved to be a successful propaganda piece against accusations of colonial exploitation. Boothroyd (T) to Vinter, Sloman, Charles (T), 'Colonial Office Draft on Sterling Balances', 4 Jun 1953, PRO T 236/3352; Vinter (T) to Flett (T), 17 Jul 1953, PRO T 236/3352; Sloman (T) to Armstrong (T), 'Colonial Office Paper on Colonial Sterling Assets', 20 Oct 1953, PRO T 236/3353. For the contemporary academic debate, see Hazlewood, 'Memorandum'; *idem*, 'Sterling Balances'; Greaves, 'Sterling Balances'; King, 'Sterling Balances'; Nicolescu, 'Sterling Balances'. For official estimations of expandable and tied balances, see Appendix to ch. 7.
90. See discussions in the press on colonial policy and colonial exploitation in the mid-1950s. For opposing views, see statements by Einzig, the editor of the *Financial Times*, who expressed views essentially amplifying the Treasury position, and publications putting views close to the Colonial Office. For example: 'Colonial Sterling Currency Reserves (Note by Dr. Paul Einzig)', Jan 1955, PRO CO 1025/97; articles in *West Africa*: 18 Oct 1952, p. 965; 3 Jan 1953, pp. 1225–6; 20 Aug 1955, p. 787; 27 Aug 1955, p. 811. For a critical statement on both views, see Balogh, 'Eyeless in Ghana'.
91. See, for example, 'Treasury Memorandum on the Colonial Sterling Assets. Note by the Colonial Office', May 1956, PRO CO 852/1577.
92. See ch. 7.
93. 'Colonial Office Circular Dispatch 859/54. Investment of Currency Funds in Local Securities', 10 Sep 1954, PRO CO 1025/97.
94. For the detailed argument, see Colonial Office, 'Note on the External Loan Needs of the Colonies in 1956–7. Including an Analysis of Their Sterling Assets Position', Jul 1956, PRO T 220/655.
95. Melville (CO) to Potter (T), 2 Jul 1954, PRO CO 1025/97.
96. Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65/1530/2; also Bank of England, 'Note for Record', 21 Feb 1955, B/E OV 44/64/1530/1.
97. Cohen (BT), 'Meeting of O.E.E.C. Ministers on Convertibility', 13 Jul 1954, PRO BT 11/5291.
98. Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65/1530/2. The Board of Trade's view was not able to make its imprint on the Collective Approach Committee. However, on the eve of the 1954–5 sterling crisis, it was acknowledged that circles outside the City, notably in industry, were by no means keen on convertibility. See: Bank of England, 'Note for Record', 21 Feb 1955, B/E OV 44/64/1530/1, which refers to such a statement by Hall, the Director of the Treasury's Economic Section.
99. See, for example, Cohen (BT), 'Meeting of O.E.E.C. Ministers on Convertibility', 13 Jul 1954, PRO BT 11/5291; and Rowan (in conjunction with Hall) (T), 'The Collective Approach', 1 Nov 1954, PRO T 230/268.

7 The Colonies, Politics and Economic Development: Britain's Liberalization Challenged, 1953–6

1. For some suggestion of connections between colonial development and Britain's external economic policy, see Fieldhouse, *Black Africa*, ch. 1; for a summary of documents, see Morgan, *The Official History*, vol. 3, chs. 4 and 5. The study by Havinden and Meredith, *Colonialism and Development*, offers great detail on development statistics but makes few explicit connections to British policy.

- A valuable account of economic issues in the context of African political developments is Bangura, *Britain and Commonwealth Africa*, ch. 2. For contemporary debates on colonial financial arrangements and the marketing boards, see Bauer, *West African Trade*; *idem*, 'The Economic Development'; Hawkins, 'The Growth of a Money Economy'; *idem*, 'Marketing Boards'; King, *Money in British East Asia*; Hazlewood, 'Memorandum of the Sterling Balances'; Greaves, *Colonial Monetary Conditions*; *idem*, 'The Character'; Earle (written anonymously), 'A Fiduciary Issue'; Hasib, 'Money and Banking Problems'. *West Africa*, 'Why Central Banks?', 20 August 1955, p. 787, 27 August 1955, p. 811.
2. For developments in the price of colonial commodities, see ch. 3. For the relevance of price booms in the discriminatory management of the imperial sterling area, see notably ch. 4.
 3. Potter (T) to Armstrong (T), 'Colonial Sterling Assets', 24 May 1954; Rowan (T) to Armstrong (T), 'Colonial Sterling Assets', 26 May 1954, PRO T 236/3562. Policy-makers welcomed the fact, by 1956, that this trend seemed to be over: 'Cabinet. Committee on Balance of Payments Prospects. Minutes, B.P.(56) 7th Meeting', 12 Jun 1956, PRO CAB 134/1198.
 4. See for example the 'Littler exercise': Wragge Morley (T) to Kahn, Hillis, Dalton, Mitchell, Littler (T), 'Colonial Sterling Assets', 31 Mar 1955; Littler (T, OF), 'Gold Coast', Mar 1955, PRO T 236/4253. For the official risk assessment, see Appendix to ch. 7.
 5. Stevenson (T) to Melville (CO), 5 Aug 1953, PRO CO 1025/18.
 6. Stevenson (T) to Hall-Patch (IBRD), 21 May 1953, PRO CO 1025/18.
 7. IBRD, 'The Sterling Balances' [confidential study prepared by W. Weigel], Aug 1954, PRO T 236/3562.
 8. See ch. 6.
 9. Dalton (T) to Herbecq (T), 'I.B.R.D. Missions to Colonial Territories: Bank of England's Letter of 3rd January, 1955', 25 Jan 1955; Bolton (B/E) to Rowan (T), 3 Jan 1955, PRO T 220/639. The survey missions included from among British colonies Jamaica, British Guiana, Nigeria, Malaya (all in 1952 and 1953). See also, Mason and Asher, *The World Bank*, pp. 299–305.
 10. Mason and Asher, *The World Bank*, pp. 174–5; pp. 456–69.
 11. For example, inspired by the so-called Triffin schemes for Latin America.
 12. See Balachandran, *The Reserve Bank*, chs. 7, 8, 13, 14.
 13. Prominent among these academics was W.A. (later Sir Arthur) Lewis. He was a member of a delegation of academics that evaluated economic policies in developing countries for ECOSOC and strongly criticized the IBRD for its lack of development initiatives (see, Mason and Asher, *The World Bank*, pp. 384, 462). Compare also B. Ingham, 'The Manchester Years'. For Lewis's earlier criticism of trade restrictions in the colonies, see Lewis, 'Colonial Development'; also Wightman, 'The Sterling Area – Part II', p. 160.
 14. Bolton (B/E) to Rowan (T), 3 Jan 1955, PRO T 220/639.
 15. Treasury, 'Ceylon: Financial Agreement', 19 Jan 1955, PRO T 236/3835.
 16. See Dalton (T), 'Study of U.K. Trade with the Colonies – ON(55)19', 10 Feb 1955, PRO T 238/288; also Colonial Office, 'Analysis of Replies Received to Circular Telegram of 1st June. Liberalisation of Dollar Imports: Estimates of Cost', 10 Sep 1955, B/E EID 3/93/441/2.
 17. 'Treasury/Bank Working Party on the Sterling Area. Effect on the Sterling Area of the Gradual Removal of Discrimination. S.A.W.P.(56)8', 3 Feb 1956, B/E OV 44/31/1519/3.

18. See ch. 3.
19. In some respects, the Middle Eastern oil states were considered as a possible alternative. See, for example, Bank of England, 'The Sterling Balances. Part IV. General Conclusions to Parts I to III [S.A.W.P.(56) 17]', 26 Mar 1956, B/E ADM 14/44/807/5. See also ch. 8.
20. This is borne out by the general debate on British external economic policy towards the empire during the liberalizing period, for which see ch. 6.
21. One of the Bank of England's main advisers on the colonies recognized this psychological dimension: Loynes (B/E) to Thompson-McCausland (B/E), 'Sterling Area Working Party', 8 May 1956, B/E ADM 14/44/807/5.
22. For developments during this period, see Austin, *Politics in Ghana*, ch. 6; Apter, *Ghana in Transition*, ch. 14; see also Rathbone, 'Businessmen'.
23. For a near-contemporary argument to that effect, see O'Connell, 'The Political Class', p. 378.
24. See Stubbs, *Counter-Insurgency and the Economic Factor*.
25. Colonial Office, 'Analysis of Replies received to Circular Telegram of 1st June. Liberalisation of Dollar Imports: Estimates of Cost', 10 Sep 1955, B/E EID 3/93/441/2; see also ch. 6. For a risk assessment arising from accumulated capital that might be withdrawn, see section 4 below.
26. Fisher (B/E) to Governor (B/E), 'Working Party on Colonial Sterling Assets', 10 Jul 1953, B/E OV 44/83/1536/2; Boothroyd (T, OF) to Treasury (OF), 'Notes for the Discussion Between Treasury Ministers and the Secretary of State for the Colonies. Balance of Payments', 26 Nov 1954, PRO T 236/3562; Melville (CO) to Potter (T), 2 Jul 1954, PRO CO 1025/97.
27. 'Treasury Memorandum on the Colonial Sterling Assets. Note by the Colonial Office', May 1956, PRO CO 852/1577.
28. Governor Kenya (Government House, Nairobi) to Lennox-Boyd (CO), 'Investment of Currency Funds in Local Securities', 13 Jan 1955, PRO CO 1025/97. The academic W.T. Newlyn inquired at the Colonial Office on impending changes in the colonial currency arrangements and was told that no crucial changes were envisaged. See Wilson (CO) to Newlyn (University of Leeds, Department of Economics and Commerce), Feb 1955, PRO CO 1025/97.
29. Fisher (B/E) to Galsworthy (CO, Finance Department), 7 Jul 1954; Hillis (T) to Galsworthy (CO, Finance Department), 12 Jul 1954, PRO CO 1025/39. For discussions on local money markets, see notably the 1953 Working Party on Colonial Sterling Assets. For subsequent debate, see, for example, Light (T, IF) to Bristow (T, CEPS), Dalton (T, OF), Thimont (T, HF), 'C.O. Draft Despatch about Loan Finance', 28 Jun 1955, PRO T 220/640; Dalton (T) to Butt (T), 'Colonial Finance', 29 Aug 1955, PRO T 220/640 and T 236/4961.
30. Potter (T) to Melville (CO), 'West African Colonial Territories: Currency', 27 May 1953; Tours (Ministry of Finance, Financial Adviser to Gold Coast Government) to Melville (CO), 23 Dec 1953; Arden-Clarke (Governor of the Gold Coast) to Melville (CO), 30 May 1953, PRO CO 1025/5A; Drake (T) to Melville (CO), 'C.D. and W.', 28 May 1954, PRO CO 1025/97; Hillis (T) to Galsworthy (CO, Finance Department), 12 Jul 1954, PRO CO 1025/39; Treasury to Colonial Office, 'I.B.R.D. Mission to Nigeria', 25 Jun 1954, B/E OV 68/2/2763/1; Bank of England (Overseas & Foreign Office) to Parsons, Cunnell (B/E), 'Nigeria: Report of I.B.R.D. Mission', 5 Nov 1954, B/E OV 68/3/2763/2. See the debates triggered in the *Economic Journal* by articles by Hazlewood ('The Economics', 'Colonial External Finance'). See also as a case study 'Analyst', 'Currency and Banking'.

- A counter-argument is put by Earle, 'Colonial Monetary Theory', and (albeit anonymously) 'A Fiduciary Issue'.
31. For these developments, see Rathbone, 'Businessmen'; also Austin, *Politics*, pp. 276–81.
 32. Apter, *Ghana*, p. 298.
 33. Bolton (B/E) to Rowan (T), 3 Jan 1955, PRO T 220/639; Fisher (B/E) to Governors (B/E), 'West Africa – Currency', 11 Feb 1955, B/E OV 68/3/2763/2.
 34. '...the net dollar earnings of Malaya, even at slump prices for rubber, should cover the servicing of such capital many times over.' Spencer (T, Kuala Lumpur) to Paskin (CO), 26 Jun 1953, PRO T 236/3566.
 35. International Bank Mission [Chief of Mission: Sir Louis Chick], *The Economic Development of Malaya*.
 36. King, 'Sterling Balances', p. 721.
 37. See King, *Money*, ch. 4; *idem*, 'Notes'.
 38. See Brett, *Colonialism*, pp. 141–8; Kratz, 'The East African Currency Board', p. 232.
 39. For this episode, see Cain and Hopkins, *Imperialism*, vol. 2, pp. 220–1.
 40. See, for example, Spencer, 'Settler Dominance'.
 41. Governor (Kenya) to Lennox-Boyd (CO), 'Investment of Currency Funds in Local Securities', 13 Jan 1955, PRO CO 1025/97. For borrowing by Kenya, and notably by the East African High Commission, see ch. 3.
 42. The Secretary, WACB to Under Secretary of State (CO), 19 Dec 1955, PRO CO 1025/41; Loynes (B/E) to Fisher (B/E), 11 Jul 1956, B/E OV 7/75/612/4; Selwyn (CO) to Hulland (CO), 29 Jan 1954, PRO CO 852/1576.
 43. Fisher (B/E) to Loynes (B/E), 'Gold Coast', 16 May 1956, B/E OV 69/3/2766/1.
 44. This had first been agreed at the Conference on Techniques of Development Finance in 1951. See Bourdillon (CO) to Tours (Ministry of Finance, Gold Coast), 20 Jul 1953, PRO CO 1025/13.
 45. Dalton (T) to Butt (T), 'Colonial Finance', 29 Aug 1955, PRO T 236/4961 and PRO T 220/640; Light (T, IF) to Bristow (T, CEPS), Dalton (T, OF), Thimont (T, HF), 'C.O. Draft Despatch about Loan Finance', 28 Jun 1955, PRO T 220/640.
 46. However, the Colonial Office wished to tie this to an anti-republicanism clause, whereas the Treasury considered the political climate and economic policies to be more important. See Galsworthy (CO) to Poynton (CO), 28 Mar 1956, PRO CO 1025/94; Hepburn Smith (Ministry of Finance, Accra) to Galsworthy (CO), 25 Feb 1955, PRO CO 1025/92.
 47. Wilson (CO), 30 Dec 1956, PRO CO 1025/96.
 48. An independent monetary policy was explicitly rejected by Fisher of the Bank. Fisher (B/E) to Galsworthy (CO, Finance Department), 7 Jul 1954, PRO CO 1025/39. The Treasury agreed. Hillis (T) to Galsworthy (CO, Finance Department), 12 Jul 1954, PRO CO 1025/39.
 49. 'Treasury Memorandum on the Colonial Sterling Assets, Note by the Colonial Office', May 1956, PRO CO 852/1577; Emanuel (CO), 3 Apr 1954, PRO CO 852/1576; Littler (T, OF), 'Nigeria', Mar 1955, PRO T 236/4253. For a quantitative assessment, see Hawkins, 'Marketing Boards'; see also Carney, *Government and Economy*, ch. 12. For figures on Nigeria and the Gold Coast, see Appendix to ch. 7.
 50. Private Secretary (CO) to Maude (Private Secretary, T), 5 Oct 1956, PRO T 234/223.
 51. 'Cabinet. Economic Steering Committee. Sub-Committee on Closer Economic Association with Europe. Working Party on the Colonies. Second Report of the

- Working Party. E.S.(E.I.)(C)(56) 11', 14 Dec 1956, PRO CAB 134/1878; 'The Collective Approach and Proposals for a Free Trade Area. Note by the Treasury', 13 Dec 1956, PRO T 234/223.
52. Colonial Office (Finance Department), 'Memorandum on Control by the Secretary of State of Colonial Currency', Jun 1953, PRO CO 1025/5A; Colonial Office, 'Nigerian Constitutional Conference. Note for the United Kingdom Delegation on Reserve Powers in the Financial Sphere', Dec 1953, PRO CO 554/842; Bank of England, 'Nigeria. 1956 Conference to Revise the Constitution – Legislation Exclusive to the Federal Government', 17 Nov 1955, B/E OV 68/3/2763/2.
 53. Fisher (B/E) to Governors (B/E), 'West Africa – Currency', 11 Feb 1955, B/E OV 68/3/2763/2.
 54. Barker (B/E, Overseas & Foreign Office, Group IX) to Fisher, Loynes, Bennett (B/E), 'Report on Banking and Finance in Eastern Nigeria', 15 Aug 1956; Loynes (B/E) to Fisher, Chief Cashier et al. (B/E), 'Nigeria: Central Bank Enquiry. Gold Coast: Bank of Issue', 19 Sep 1956, B/E OV 68/4/2763/4.
 55. Compare, King, *Money*, pp. 50, 99; Watson and Caine, *Establishment of a Central Bank in Malaya*.
 56. For these views, see Fisher (B/E) to Deputy Governor (B/E), 'West Africa – Central Banking and Currency', 23 Nov 1954, B/E OV 69/3/2766/1. See also Drake (T) to Melville (CO), 'C.D. and W.', 28 May 1954, PRO CO 1025/97.
 57. Officer Administering the Government (Gold Coast) to Secretary of State for the Colonies (CO), 'Gold Coast Currency', 15 May 1954, PRO CO 1025/39.
 58. Galsworthy (CO, Finance Department) to Potter (T), 2 Jul 1954, PRO CO 1025/39; Tours [Financial Adviser to the Gold Coast Government] (Accra) to Galsworthy (CO), 6 Aug 1954, PRO CO 1025/39.
 59. Tours (Accra) to Melville (CO), 23 Dec 1953, PRO CO 1025/5A.
 60. Compare, for example, Saloway (Accra, Government House) to Melville (CO), 20 Mar 1953, PRO CO 1025/5A.
 61. Loynes (B/E) to Gbedemah (Minister of Finance, Gold Coast), 22 Feb 1956, PRO CO 1025/42.
 62. Colonial Office, 'Brief for the Secretary of State, Meeting With Mr. Gbedemah, Minister of Finance, Gold Coast', Sep 1955, PRO CO 1025/42; Cobbold (B/E) to Lennox-Boyd (CO), 20 Sep 1955, PRO CO 1025/42; Fisher (B/E) to Governors (B/E), 'West Africa – Currency', 11 Feb 1955, B/E OV 68/3/2763/2.
 63. Lennox-Boyd (CO) to Cobbold (B/E), 4 Oct 1955, PRO CO 1025/42.
 64. Colonial Office, 'Note of Problems Which Will Arise When the Gold Coast Achieves Independence', 25 Feb 1954, PRO CO 554/803.
 65. For a typical example, from a wide range of sources, see Rowan (T) to Armstrong (T), 'Colonial Sterling Assets', 26 May 1954, PRO T 236/3562. See also ch. 6.
 66. Littler (T, OF), 'Gold Coast', Mar 1955; Littler (T, OF), 'Nigeria', Mar 1955; Wragge Morley (T) to Kahn, Hillis, Dalton, Mitchell, Littler (T), 'Colonial Sterling Assets', 31 Mar 1955; Dalton (T) to Hillis (T), 'Colonial Sterling Assets', 15 Mar 1955, PRO T 236/4253. See Appendix to ch. 7. Cf. also Morgan, *Official History*, vol. 3, ch. 4.
 67. 'Top Secret Treasury Memorandum, The Pattern of Colonial Sterling Assets and United Kingdom Sterling Liabilities to the Colonies', Mar 1956, PRO CO 852/1577 and T 236/4253; Treasury (OF, Statistics) to SAWP [Sterling Area Working Party], 'The Pattern of Colonial Sterling Assets and United Kingdom Sterling Liabilities to the Colonies. S.A.W.P.(56)15', 21 Mar 1956, B/E OV 44/31/1519/3.

68. For this technical aspect, see ch. 3.
69. Secretary of State for the Colonies to Officer Administering the Government of the Gold Coast, 23 Jul 1954, PRO CO 1025/39.
70. These areas now figured in the policy debate for other reasons, more remotely connected with Britain's external economic policy. For example, the West Indies became linked to internal economic development in Britain as a source of cheap labour, as an alternative to boosting industrial development in the West Indies. In Kenya, the Mau Mau Emergency prompted concerns on how political stability could be re-established by keeping the delicate equilibrium between African and settler demands in the economic stakes of the colony.
71. The Secretary, WACB to Under Secretary of State (CO), 19 Dec 1955, PRO CO 1025/41.
72. See notably Fisher (B/E) to Deputy Governor (B/E), 'West Africa – Central Banking and Currency', 23 Nov 1954, B/E OV 69/3/2766/1.
73. Working Party on Colonial Stock Issues, 'Loan Finance for Colonial Development. Note by the Colonial Office', 21 Apr 1958, CO 1025/111. The fiduciary limit was raised to 30 per cent.
74. Fisher (B/E) to Beresford-Stooke (CA), 'Currency and Currency Boards', 7 Aug 1953, B/E OV 7/35/604/1; Fisher (B/E) to Loynes (B/E), 'Gold Coast', 16 May 1956, B/E OV 69/3/2766/1.
75. See notably Bauer, *West African Trade*; *idem*, 'The Economic Development'; *idem*, 'Origins'; Bauer and Paish, 'The Reduction', and criticisms by Friedman, 'The Reduction'; Hill, 'Fluctuations'; and Ady, 'Fluctuations', as well as the reply by Bauer and Paish, 'The Reduction'; Caine, 'Instability'. Compare also Helleiner, 'The Fiscal Role'.
76. For near-contemporary views, see Carney, *Government and Economy*, p. 148; Hawkins, 'Marketing Boards', pp. 53–4.
77. See ch. 5.
78. See, for example, Stevenson (T) to Melville (CO), 5 Aug 1953, PRO CO 1025/18; Harcourt (British Embassy, Washington) to IBRD, 15 Mar 1955, B/E OV 78/2/2843/1.
79. The possible connections between the IBRD doctrine and emerging 'monetarist' views (Friedman, *Essays*, was published in 1953) and how both differed from British conceptions of colonial monetary management are well worth investigating. Compare also the argument on a similar system (Panama) by a leading monetarist over a decade and a half later. See H.G. Johnson, *Further Essays*, ch. 8, and particularly pp. 223–8. I am grateful to Dr. Barbara Ingham for bringing this source to my attention.
80. Treasury to Colonial Office, 'I.B.R.D. Mission to Nigeria', 25 Jun 1954, B/E OV 68/2/2763/1. Bank of England (Overseas & Foreign Office) to Parsons, Cunnell (B/E), 'Nigeria: Report of I.B.R.D. Mission', 5 Nov 1954, B/E OV 68/3/2763/2; Hillis (T) to Stevenson, Goldman, Drake (T), 'Malaya – I.B.R.D. Report: Currency and Banking', 23 Feb 1955, PRO T 236/4692.
81. Bolton (B/E) to Rowan (T), 3 Jan 1955, PRO T 220/639.
82. Poynton (CO) to Rowan (T), 24 Jan 1955; Dalton (T) to Herbecq (T), 'I.B.R.D. Missions to Colonial Territories: Bank of England's Letter of 3rd January, 1955', 25 Jan 1955, PRO T 220/639.
83. The Bank's most senior adviser on the colonies did this via a 'private and confidential note' as well as general advice and comments on the draft. See Hillis (T) to Stevenson, Goldman, Drake (T), 'Malaya – I.B.R.D. Report: Currency and

- Banking', 23 Feb 1955; Dalton (T) to Hillis (T), 'I.B.R.D. Report on Malaya', 15 Feb 1955, PRO T 236/4692.
84. Fisher (B/E) to Governors (B/E), 'Nigeria – State Bank', 10 Apr 1956, B/E OV 68/3/2763/2. For details on this episode, see also Ugochukwe Uche, 'Bank of England vs IBRD'.
85. Loynes (B/E) to Gbedemah (Minister of Finance, Gold Coast), 22 Feb 1956, PRO CO 1025/42. Wilson (CO) to Hepburn Smith (Ministry of Finance, Gold Coast), 'Gold Coast Bank of Issue', 13 Jul 1956, PRO CO 1025/42.
86. It must be noted, however, that this episode is difficult to interpret from the archival sources. The views expressed in the Treasury, Bank of England, and Colonial Office documents maintain that the director of the Bank of the Gold Coast (Eggleston) was not sufficiently responsible and not knowledgeable enough to be trusted in matters of central banking. See Colonial Office, 'Brief for the Secretary of State, Meeting With Mr. Gbedemah, Minister of Finance, Gold Coast', Sep 1955, PRO CO 1025/42; Fisher (B/E) to Governors (B/E), 'West Africa – Currency', 11 Feb 1955, B/E OV 68/3/2763/2; Tours (Gold Coast) to Galsworthy (CO), 31 Jul and 6 Aug 1954, PRO CO 1025/39.
87. In Malaya, local politicians attributed similar importance to formal changes in currency matters: see Schenk, 'The Origins'.
88. See ch. 8. British business in West Africa seems to have been similarly confident in the mid-1950s: see Pedler, 'Foreign Investment'.

8 Britain's New Cosmopolitanism: Financial Realignment and Imperial Relations, 1958 and Beyond

1. Some general evidence of the repercussions of multilateralism is provided by Miller, *Survey*, ch. 12; see also: Yeager, *International Monetary Relations*, pp. 388–93; Hutchison, *Economics and Economic Policy*, pp. 161–77; Dow, *The Management*. The wider context of British economic performance is well covered: see Newton and Porter, *Modernization Frustrated*; Ingham, *Capitalism Divided*. Contemporary studies include Harrod, *The Pound Sterling*; Shonfield, *British Economic Policy*, ch. 6; Sargent, 'The Background'; *idem*, 'Convertibility'; Bulletin of the Oxford University Institute of Statistics (ed.), *The Future of the Sterling Area*, especially Scott, 'What Should Be Done'. For the European dimension, see in particular, Milward, *European Rescue*, ch. 7. For a brief survey of the literature, see Greenwood, *Britain*, chs. 6, 7. A detailed, near-contemporary account of economic relations is Camps, *Britain*. Macmillan's role is stressed, for example, by Reynolds, *Britannia Overruled*, ch. 8; Northedge, *Descent from Power*; also Holland, 'The Imperial Factor', p. 181. This assessment, it seems, is influenced by his massive memoirs: Macmillan, *Riding the Storm*, *idem*, *Pointing the Way*.
2. See ch. 2, and for the broad perspective, Cain and Hopkins, *British Imperialism*.
3. See Jessop, *State Theory*, pp. 198–206; also *idem*, 'The Transformation of the State'.
4. For crucial evidence, see the telegrams contained in PRO T 236/4188 ('1956: Measures Introduced to Protect Sterling During the Suez Crisis'). See also, Kunz, *The Diplomacy*, pp. 143–62, and *idem*, 'Importance of Having Money'.
5. See Dow, *The Management*, pp. 103–11; Hutchison, *Economics and Economic Policy*, ch. 3. Jay, *Sterling*, pp. 134–6, blames too rapid liberalization in 1958–9 for Britain's balance of payments crises in the 1960s. The risks from the sterling balances after convertibility are also emphasized by Collins, *Money and Banking*, p. 542. See also ch. 3.

6. For a contemporary assessment, see notably Conan, *Rationale*.
7. This was the notorious period under Chancellor Thorneycroft: see Dow, *The Management*, ch. 3.
8. *Report of the Committee on the Working of the Monetary System* (Cmd. 827, 1959, Aug); also Brittan, *Steering*, p. 137; Cohen, *Reform*, p. 5; Cairncross, *The British Economy*, pp. 97–9. For academic criticism of the report's advocacy of high interest rates, see Katz, 'Radcliffe Report'. For the wider legacy, see Cairncross, 'Preludio'.
9. Dow, *The Management*, p. 96.
10. Clendenning, *Euro-Dollar Market*, pp. 21–4; Bell, *The Eurodollar Market*, p. 8; Burk, 'Witness Seminar'; Yeager, *International Monetary Relations*, p. 389. However, these developments were ignored by the Radcliffe report: see Grant, *The Machinery*, p. 132.
11. For the uneasy relationship with Ghana, see PRO T 236/4776, and B/E OV 69/5. For Malaya, see PRO T 236/4692 to T 236/4694, and B/E OV 65/9 to 16. For greater detail and references on these issues, see ch. 9.
12. See, for instance, Rickett (T) to Rowan (T), 'Overseas Investment', 17 Jan 1957, PRO T 230/417.
13. A succinct document is Rowan (T), 'External Economic Aims', 31 Dec 1957, B/E OV 44/65/1530/2. For the broader context, see chs. 3 and 6.
14. For greater detail about these structural contradictions, see ch. 9.
15. 'H.M. Treasury. Powers of Investment of Trustees in Great Britain. Cmd.915', Dec 1959, PRO CO 1025/116.
16. Useful studies for the broad context include Scammell, *The International Economy*; *idem*, *International Monetary Policy*; Strange, *Sterling*; Rowland, *America*; Dobson, *The Politics*; Camps, *Britain*, Milward, *European Rescue*.
17. See the vast literature on contemporary international economic management. For a summary, see Scammell, *The International Economy*, pp. 116–20; also Hirsch, *Money International*; and Yeager, *International Monetary Relations*. The study that triggered the theoretical debate on the reasons for the world liquidity problem is Triffin, *Gold and the Dollar Crisis* (Cohen, 'A Brief History', p. 250).
18. For an introduction into the history of international economic relations in the 1960s, see Kenwood and Loughheed, *The Growth*, chs. 18, 19; Scammell, *The International Economy*, chs. 8, 9, 12, 13; Cohen, 'A Brief History'.
19. A concise survey of this episode is Cairncross, *The British Economy*, chs. 4 and 5; Tew, *International Monetary Cooperation*, ch. 21; see also Kunz, "'Somewhat Mixed Up Together'".
20. See ch. 3.
21. *Ibid.*
22. Working Party on World Economic Problems [Frank Lee] (T), 'Report on Declining Commodity Prices. W.E.P.(58)12', 28 Apr 1958, PRO T 230/440; 'Cabinet. Working Party on United Kingdom Export Trends', reports of 19 Jul 1957, 20 Jan 1958, 28 Jul 1958, PRO CAB 134/2555 and 2556.
23. Two crucial documents are: 'Cabinet. Economic Policy Committee. Association of Overseas Territories with the European Customs Union and the European Industrial Free Trade Area. Note by the Secretaries. E.A.(57)27', 22 Mar 1957, PRO CAB 134/1675; and 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Prospects and Implications for Commonwealth Countries of the European Economic Community and the Proposed European Free Trade Area. Note by the Treasury. E.S.(C.E.)(58)13.',

- 3 Feb 1958, PRO CAB 134/1842. A detailed near-contemporary account of British policy on EFTA and the EEC in the late 1950s and early 1960s is Camps, *Britain*.
24. For a typical view of this issue by an influential policy-maker, see Rowan (T), 'External Economic Aims', 31 Dec 1957, B/E OV 44/65/1530/2.
 25. See Scammell, *The International Economy*, pp. 110, 116–20; Shonfield, *British Economic Policy*, pp. 208–11.
 26. See notably 'Cabinet. Economic Policy Committee. Report of the Committee on Commonwealth Economic Development: Provision of Capital. E.A.(57)48', 16 May 1957; 'Cabinet. Economic Policy Committee. Studies on Sterling Capital Account. Memorandum by the Economic Secretary. E.A.(57)47', 17 May 1957, PRO CAB 134/1675; 'Cabinet. Economic Policy Committee. Minutes. Sterling and Commonwealth Economic Development', 29 May 1957, PRO CAB 134/1674. See also sections 3 and 4 below.
 27. The most authoritative study of these relationships is still Strange, *Sterling*, ch. 9.
 28. A note by the Permanent Secretary of the Treasury, Sir Edward Bridges, of 7 Sep 1956 for the Chancellor of the Exchequer, Harold Macmillan (PRO T 236/4188), refers to 'the vital necessity from the point of view of our currency and our economy of ensuring that we do not go it alone, and that we have the maximum U.S. support'. On 9 Sep 1956, Macmillan added in handwriting: 'Yes: this is just the truth. U.S. are being very difficult.' See also Dooley, 'Great Britain's "Last Battle"'; Kunz, 'Importance of Having Money'; *idem*, *The Economic Diplomacy*, pp. 143–62; Yeager, *International Monetary Relations*, p. 388.
 29. These amounted together to \$561 million: Hall (T) to Makins (T), 'Unused Resources', 15 Jan 1957, PRO T 236/4318; Rickett (T) to Rowan (T), 'Unused Resources', 14 Jan 1957, PRO T 236/4318. Also Dooley, 'Great Britain's "Last Battle"', pp. 497, 517.
 30. Scammell, *The International Economy*, pp. 120–1.
 31. See Ikenberry, 'A World Economy Restored'.
 32. For an assessment and survey of Britain's realignment in defence policy, see Rees, 'The 1957 Sandy's White Paper'. For the wider context, see Baylis, *Anglo-American Defence Relations*; Darby, *Britain's Defence Policy*; Pierre, *Nuclear Politics*.
 33. See ch. 4.
 34. See Strange, *Sterling*, ch. 9.
 35. See, for instance, Coffin, 'Aid'; also Mikesell, *Public International Lending*, pp. 54–5.
 36. Hall (T) to Makins (T), 'Unused Resources', 15 Jan 1957; Makins (T) to Chancellor of the Exchequer (T), 17 Jan 1957, PRO T 236/4318; Rowan (T), 'External Economic Aims', 31 Dec 1957, B/E OV 44/65/1530/2.
 37. For general policy reconsiderations, see the following documents: 'Cabinet. Economic Policy Committee. Sterling. Memorandum by the Economic Secretary. E.A.(57)20', 1 Mar 1957, PRO CAB 134/1675; *idem*, 'Association of Overseas Territories with the European Customs Union and the European Industrial Free Trade Area. Note by the Secretaries. E.A.(57)27', 22 Mar 1957, PRO CAB 134/1675; *idem*, 'Studies on Sterling Capital Account. Memorandum by the Economic Secretary. E.A.(57)47', 17 May 1957, PRO CAB 134/1675; *idem*, 'Sterling and Commonwealth Economic Development. Memorandum by the Chancellor of the Exchequer [Thorneycroft]. E.A.(57)52', 21 May 1957, PRO CAB 134/1676; *idem*, 'Minutes. Sterling and Commonwealth Economic Development', 29 May 1957, PRO CAB 134/1674; 'Cabinet. Economic Steering Committee. Sub-Committee on

- Commonwealth Trade and Economic Conference. How to Strengthen Sterling. Note by the Treasury and Bank of England. E.S.(C.E.)(57)14.', 15 Nov 1957, PRO CAB 134/1841; 'Cabinet. Committee on Prime Minister's Commonwealth Tour. United Kingdom Overseas Investment Policy. Note by the Treasury. GEN.622/1/12', 19 Dec 1957, PRO CAB 130/138; 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Commonwealth Long-Term Capital Flows – E.S.(C.E.)(58)42. Brief for United Kingdom Delegation.', 27 May 1958, PRO CAB 134/1844; *idem*, 'Sub-Committee on United Kingdom External Investment. Composition and Terms of Reference E.S.(U.K.I.)(58) 1', 23 Jul 1958, PRO T 230/417. See also 'Problems of the Sterling Area. E.S. (56)27', Report by a Working Party of the Treasury and the Bank of England, 25 Jun 1956, T 236/5362 (considered by the Economic Steering Committee on 18 Jan 1957).
38. 'Note by Messrs. J. & A. Scrimgeour [Crown Agents' brokers]. The Credit of the Overseas Territories', 12 May 1958, PRO T 233/1425; see CAOG 9/33, for a list of loans.
39. Chadwick (FO), 'Parliamentary Question', 16 Jan 1958, PRO FO 371/133219; 'Cabinet. Africa (Official) Committee. Sub-Committee on the Foundation for Mutual Assistance in Africa South of the Sahara. Composition and Terms of Reference. Note by the Secretaries. A.F.(F.M.)(58)1', 8 May 1958, PRO CAB 134/1360. Warburton (FO), 'Aid to Less Developed Areas. Brief for Delegation to Strasbourg and Council of Europe. Recommendation 158', 17 Nov 1958, PRO FO 371/133222; 'Prime Minister's Visit to Africa. Jan 1960. Economic Aid for Africa. Brief by the Commonwealth Relations Office A.T.(GEN)3', 31 Dec 1959, PRO DO 35/8777. For changes in aid mechanisms, see also Scammell, *The International Economy*, ch. 6. A broad debate was under way on such arrangements for Commonwealth and colonial aid in the Africa Committee, the South-East Asia Committee, the Mutual Aid Committee, and the Committee on United Kingdom External Investment. See also the Johnston Committee on colonial finance after 1960. 'Cabinet. Committee on Development Policy. Terms of Reference and Composition. Note by the Acting Secretary of the Cabinet. D.P.(59)1', 25 Sep 1959; 'Cabinet. Committee on Development Policy. Minutes. D.P.(59) 1st Meeting', 15 Oct 1959, PRO CAB 134/1628.
40. 'Cabinet. Economic Policy Committee. Commonwealth Economic Consultative Council. Report of the Commonwealth Development Advisory Group. E.A.(59) 56', 22 Jul 1959, PRO CAB 134/1684; Treasury Meeting, 'Commonwealth Development Bank', 1 May 1958, B/E OV 44/57/1527/3; Portsman (B/E) to Haslam (B/E), 'Commonwealth Development Agency', 8 May 1958, B/E OV 44/56/1527/3; 'Cabinet. Ministerial Committee on the Commonwealth Trade and Economic Conference. Report of the Committee. GEN.650/34 (Final)', 5 Sep 1958, PRO CAB 130/149; Williamson to Powers (US Embassy), 27 Oct 1959, PRO BT 213/81. The United States Development Loans Fund came into operation in 1957: Mikesell, *Public International Lending*, pp. 54–5.
41. Lucas (T) to Jenkyns (T), 'Colonial Loan Issues', 29 Apr 1958, PRO T 233/1425.
42. 'Cabinet. Committee on Prime Minister's Commonwealth Tour. United Kingdom Overseas Investment Policy. Note by the Treasury. GEN.622/1/12', 19 Dec 1957, PRO CAB 130/138.
43. 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Collective Commonwealth Borrowing. Note by the Treasury. E.S.(C.E.)(57)20', 11 Dec 1957, B/E OV 44/56/1527/3.

44. Colonial Office [Economic General Department] to Ministers, 'Overseas Resources Development Bill. Second Reading Debate on 28th January, 1958. Notes for Ministers. EGD 81/150/01', Jan 1958, PRO T 220/658; Parliament, 'Overseas Resources Development Act, 1958. Explanatory Memorandum', Mar 1958, PRO T 220/659; Commonwealth Relations Office (CRO) to U.K. High Commissioners etc., 'Colonial Development Corporation: Overseas Resources Development Act, 1958', 26 Mar 1958, PRO DO 35/5653.
45. 'Cabinet. Economic Policy Committee. Report of the Committee on Commonwealth Economic Development: Provision of Capital. E.A.(57)48', 16 May 1957, PRO CAB 134/1675; also Bank of England, 'Commonwealth Development', 13 May 1957, B/E ADM 14/49/808/1; 'Cabinet. Economic Policy Committee. Minutes. Sterling and Commonwealth Economic Development', 29 May 1957, PRO CAB 134/1674; 'Cabinet. Commonwealth Trade and Economic Conference. Official Steering Group. Economic Development. Draft Brief by the Treasury for the United Kingdom Delegation. GEN.656/26 (Revise)', 21 Aug 1958, PRO CAB 130/152.
46. 'Cabinet. Commonwealth Trade and Economic Conference. Official Steering Group. Proposed I.B.R.D. Lending to C.D.C. C.D.F.C. Note by the Treasury. GEN.656/14.', 23 Jul 1958, PRO CAB 130/152.
47. 'Cabinet. Committee on Commonwealth Economic Development. Tying of Loans. C.E.D.(57)13', 12 Mar 1957, PRO BT 213/81; Lee (BT), 'Export Credits Guarantee Department', 20 Jun 1957, PRO BT 91/5. The department was upgraded within the administrative hierarchy: UK Government, 'Draft Press Statement. Changes in Export Credits Guarantee Department', 11 Aug 1958, PRO BT 91/5. For debates within the Treasury on colonies and ECG, see Lucas (T) to Armstrong (T), 'Colonial Stock Issues', 1 Jun 1958; Jenkyns (T) to Armstrong (T), 'Colonial Stock Issues', 13 Jun 1958; Compton (T) to Armstrong (T), 16 Jun 1958, PRO T 233/1426; Peck (T) to Barrow (T), 'Working Party on Colonial Stock Issues', 5 May 1958; Lucas (T) to Jenkyns (T), 13 Jun 1958, PRO T 233/1562.
48. 'Cabinet. Ministerial Committee on the Commonwealth Trade and Economic Conference. Minutes. GEN.650/3rd Meeting', 1 Sep 1958, PRO CAB 130/148; 'Cabinet. Commonwealth Trade and Economic Conference. Official Steering Group. Exchequer Loans for the Colonies. Memorandum by the Colonial Office. GEN.656/30', 20 Aug 1958, PRO CAB 130/152; 'Cabinet. Ministerial Committee on the Commonwealth Trade and Economic Conference. Exchequer Loans for the Colonies. Memorandum by the Official Steering Group. GEN.650/35', 25 Aug 1958, PRO CAB 130/149; 'Minutes of the 32d Meeting of the Ministerial Committee. Commonwealth Trade and Economic Conference', 1 Sep 1958, PRO CO 1025/112; Foreign Office to UK High Commissioners in all Commonwealth countries etc., 'Loans for Commonwealth Development', 8 Oct 1958, PRO CO 1025/112. 'Cabinet. Economic Policy Committee. Commonwealth Economic Consultative Council. Report of the Commonwealth Development Advisory Group. E.A.(59) 56', 22 Jul 1959, PRO CAB 134/1684. The annual ceiling for Exchequer loans was £25 and £100 million for the five-year period. But issues should only be made after other sources had been considered. For Colonial Office figures on the overall financing of colonial development in the period 1946–57, see Appendix to ch. 8. Cf. also Morgan, *Official History*, vol. 3, ch. 5.
49. 'Cabinet. Committee on Prime Minister's Commonwealth Tour. Capital Development and Confidence in Sterling. Note by the Treasury. GEN.622/1/13',

- 19 Dec 1957, PRO CAB 130/138. Compare also the briefing for the CRO: Mitchell (T) for Rumbold (CRO), 'The Effect of U.K. Investment Overseas on Gold and Dollar Reserves', 26 Feb 1957, PRO DO 35/5644.
50. Rowan (T) to Rickett (T), 18 Sep 1957; Taylor (T) to Rickett (T), 27 Sep 1957, PRO T 236/5362.
 51. See 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675. See also Thompson-McCausland (B/E) to Governors (B/E), 'The Sterling Area [Part I]', 10 May 1957, B/E ADM 14/49/808/1. This document expects a drain of at least £600/650 million. A table of excess balances as estimated by the Bank of England is enclosed with Barker (B/E, Overseas Department, Group IIIC) to Loynes (B/E), 'Colonial Sterling Balances', 9 Dec 1957, B/E ADM 14/50/808/2. See also Appendix to ch. 9.
 52. See Colonial Policy Committee, 'Future Constitutional Development in the Colonies (Economic and Financial Considerations)', Jul 1957, CAB 134/1556; 'Cabinet Official Committee on Colonial Policy. Future Constitutional Development in the Colonies [rev. of section 7: Economic]', 4 Jul 1957, CAB 134/1551; also Forsyth (T) to Jenkyns (T), 'Colonies' Sterling Assets', 7 Mar 1957, PRO T 236/4253; Compton (T) to Armstrong (T), 'Indian and Colonial Balances in London', 9 Jan 1957, PRO T 233/1245; Gower Isaac (T) to Lovell, Nissel (T), 18 Jun 1957, PRO T 236/4253. For a discussion of these issues within the context of Britain's withdrawal from empire, see ch. 10. See also Appendices to chs. 8 and 9.
 53. Parsons (B/E) to Hawker (B/E), 'Colonial Balances', 31 Jan 1958, B/E ADM 14/50/808/2; Haslam (B/E) to Chief Cashier, Hawker, Parsons, Deputy Governor (B/E), 'Colonial Stocks and Colonial Borrowing', 21 Apr 1958, B/E ADM 14/50/808/2.
 54. Jenkyns (T) to Vile (CO), 'Treasury Draft Paper on the Funding of Sterling Balances in the Commonwealth', 3 Feb 1958, PRO CO 1025/125. See also Appendix to ch. 8.
 55. 'Cabinet. Economic Policy Committee. Loan Finance for Colonial Development. Memorandum by the Secretary of State for the Colonies. E.A.(57)49', 17 May 1957, PRO CAB 134/1676; O'Brien (B/E), 'Colonial Balances', 22 Jan 1958, B/E ADM 14/50/808/2; Cobbold (B/E) to Makins (T), 19 Feb 1958; Armstrong (T) to Compton (T), 'Colonial Balances', 26 Feb 1958, PRO T 236/4776; Treasury Meeting, 'Colonial Sterling Assets', 12 Mar 1958, PRO CO 1025/111. See also Appendix to ch. 9, and Morgan, *Official History*, vol. 3, ch. 4.
 56. Jenkyns (T) to Johnston, Cowen (T), 'The Sterling Area as an Instrument of Propaganda', 3 Feb 1959, PRO T 236/5362; Lucas (T) to MacKay (T), 'Reopening the London Foreign Bond Market', 11 Nov 1959, PRO T 236/4961; Treasury (OF), 'Independent Gold Pots', May 1959, PRO T 236/5369.
 57. Colonial Secretary (CO) to Colonies, 'Closer Economic Association with Europe. Circular 131/57', 29 Jan 1957, PRO T 234/223; Bourdillon (CO) to Monson (CO), 'Association of Overseas Territories with European Common Market', 23 Sep 1957, PRO CO 852/1731. The Treaty of Rome provided for the association of overseas territories within a period of 10–15 years: UK Delegation to GATT, 'Effects of the Association of Overseas Territories With the Common Market, and Consultation on the Subject in G.A.T.T.', Apr 1958, PRO CO 852/1733.
 58. Lennox-Boyd (CO) to Thorneycroft (T), 3 May 1957, PRO CO 852/1683; Treasury, 'Plan G – Colonies and Peripheral Countries', 18 Jan 1957, PRO T

- 234/223; 'Mitigation of Damage Caused to United Kingdom Colonial Interests by the Treaty of Rome. Brief for Talks with the Six in Brussels', 19 Jun 1957, PRO CO 852/1730; UK Delegation to GATT, 'Effects of the Association of Overseas Territories With the Common Market, and Consultation on the Subject in G.A.T.T.', Apr 1958, PRO CO 852/1733; Colonial Office Meeting, 'Colonies and European Economic Development', 30 Jun 1959, PRO CO 852/1734.
59. 'Cabinet. Economic Policy Committee. Association of Overseas Territories with the European Customs Union and the European Industrial Free Trade Area. Note by the Secretaries. E.A.(57)27', 22 Mar 1957, PRO CAB 134/1675; also Cole to Cairncross (Cabinet Office), 16 Jul 1957, PRO CO 852/1684; 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Prospects and Implications for Commonwealth Countries of the European Economic Community and the Proposed European Free Trade Area. Note by the Treasury. E.S.(C.E.)(58)13', 3 Feb 1958, PRO CAB 134/1842.
60. 'Cabinet. Economic Policy Committee. Commonwealth Economic Consultative Council: Meeting of Senior Officials. E.A.(59) 36', 1 Jun 1959, PRO CAB 134/1682.
61. The evidence for this is vast. For typical examples of statements on policy aims summarized in this paragraph, see Hall (T) to Makins (T), 'Unused Resources', 15 Jan 1957; Makins (T) to Chancellor of the Exchequer (T), 17 Jan 1957, PRO T 236/4318; 'Cabinet. Economic Policy Committee. Studies on Sterling Capital Account. Memorandum by the Economic Secretary. E.A.(57)47', 17 May 1957, PRO CAB 134/1675; also Button (BT), 'External Borrowing and Other Methods of Helping the Reserves. E.A.(57)55', 27 May 1957, PRO BT 213/96. 'Cabinet Economic Policy Committee. Sterling and Commonwealth Development. Memorandum by the Chancellor of the Exchequer [Thorneycroft]. E.A.(57)52', 21 May 1957, PRO CAB 134/1676; Rowan (T), 'External Economic Aims', 31 Dec 1957, B/E OV 44/65/1530/2. Compare in this connection the Bank of England's reproach to the Radcliffe Committee of not recognizing the informal nature of the sterling area after the opening of the foreign exchange market in 1951 and the London gold market in 1954, which meant that transactions were no longer regulated through the Exchange Equalisation Account: Bank of England, 'Sterling Area', 10 Feb 1958, B/E C 40/920/1743/3.
62. 'Cabinet. Economic Policy Committee. Studies on Sterling Capital Account. Memorandum by the Economic Secretary. E.A.(57)47', 17 May 1957, PRO CAB 134/1675. The introduction of exchange control within the sterling area was considered in mid-1958 in case of a possible crisis during the convertibility operation: Bank of England, Internal Note to Governors, Chief Cashier (B/E), 26 Jun 1958, B/E OV 44/56/1527/3.
63. See chs. 3 and 6.
64. 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Commonwealth Long-Term Capital Flows – E.S.(C.E.)(58)42. Brief for United Kingdom Delegation', 27 May 1958, PRO CAB 134/1844. For India, cf. also Tyson, 'Foreign Investment'.
65. Lee, 'Export Credits Guarantee Department', 20 Jun 1957, PRO BT 91/5; UK Government, 'Draft Press Statement. Changes in Export Credits Guarantee Department', 11 Aug 1958, PRO BT 91/5. The main player was the Bank of England.
66. Williamson (T) to Powers (US Embassy), 27 Oct 1959, PRO BT 213/81.
67. See ch. 9.

68. 'Cabinet. Ministerial Committee on the Commonwealth Trade and Economic Conference. Report of the Committee. GEN.650/34 (Final)', 5 Sep 1958, PRO CAB 130/149. Compare also Miller, *Survey*, p. 81.
69. See the highly confidential reports by the Treasury Working Party on World Economic Problems (T [Frank Lee]), 'Commodity Prices for the Primary Producing Countries. W.E.P.(57)31', 4 Dec 1957, PRO T 230/438; 'Report on Declining Commodity Prices. W.E.P.(58)12', 28 Apr 1958, PRO T 230/440. See also Rowe, *Primary Commodities*, pp. 106–7.
70. 'Cabinet. Economic Policy Committee. Balance of Payments Prospects: October, 1957. Note by the Chairman of the Economic Steering Committee [Roger Makins]. E.A.(57)115', 11 Nov 1957, PRO CAB 134/1677. See also ch. 3 and Appendix to ch. 9.
71. 'Working Party on World Economic Problems. Commodity Prices for the Primary Producing Countries. W.E.P.(57)31', 4 Dec 1957, PRO T 230/438.
72. For individual cases, see ch. 9. See also Patterson, *Discrimination*, ch. 7, pp. 332–4.
73. For which, see ch. 6.
74. Bourdillon (CO) to Monson (CO), 'Association of Overseas Territories with European Common Market', 23 Sep 1957, PRO CO 852/1731; 'Exports of Commonwealth Countries to the European Economic Community (E.E.C.)', Jul 1959, PRO CO 852/1735; Colonial Office Meeting, 'Colonies and European Economic Development', 30 Jun 1959, PRO CO 852/1734.
75. Colonial Secretary to colonies, 'Treaty of Rome and the G.A.T.T. (CO Circular 1149/59)', 30 Oct 1959, PRO CO 852/1737.
76. Boothroyd (T) to Atkinson (T), 'Implications for the Sterling Area of a Closer Association with the Six', 2 Jun 1960, PRO T 236/5368. By 1960, apart from the sterling area, also the Scandinavian countries associated in UNISCAN had been allowed access to the London bond market.
77. 'Cabinet. Economic Policy Committee. Sterling. Memorandum by the Economic Secretary. E.A.(57)20', 1 Mar 1957, PRO CAB 134/1675. Rather unexpectedly, Canada became a potential candidate for membership in mid-1957, when the Canadians proposed free trade arrangements which aimed at diverting 15 per cent of Canada's imports from the United States to Britain. This step was expected to make it possible to hold part of Canadian reserves in sterling. 'Commonwealth and European Economic Questions. Minutes. GEN.610/1st meeting', 22 Aug 1957, PRO CAB 130/131; 'Cabinet. Economic Policy Committee. Minutes. Sterling and Commonwealth Economic Development', 29 May 1957, PRO CAB 134/1674.
78. Lucas (T) to MacKay (T), 'Reopening the London Foreign Bond Market', 11 Nov 1959, PRO T 236/4961.
79. 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675; Rowan (T) to Rickett (T), 18 Sep 1957; Taylor (T) to Rickett (T), 27 Sep 1957, PRO T 236/5362.
80. Jenkyns (T) to Armstrong (T), 'Sterling Balances', 6 Dec 1957; Armstrong (T) to Jenkyns (T), 9 Dec 1957, PRO T 236/4776. The Bank also rejected a funding proposal: Ryan (B/E) to Lucas (T), 20 Mar 1958, PRO CO 1025/125. Eventually, it was judged that this was not required, under the assumption that the maximum fiduciary issue over the coming ten years would not be higher than 25 per cent. However, this matter was better not raised at the Commonwealth Conference. See Jenkyns (T) to Vile (CO), 'Treasury Draft Paper on the Funding of Sterling

- Balances in the Commonwealth', 3 Feb 1958, PRO CO 1025/125; Jenkyns (T) to France (T), 'Funding of Sterling Balances', 7 Jan 1958; France (T) to Rickett (T), 'Commonwealth Conference. Funding of Sterling Balances', 8 Jan 1958; Rickett (T) to France (T), 'Funding of Sterling Balances', 9 Jan 1958, PRO T 236/4776.
81. Thompson-McCausland (B/E) to Governors (B/E), 'The Sterling Area [Part II]', 10 May 1957, B/E ADM 14/49/808/1.
 82. Barrow (T) to Armstrong (T), 'Colonial Stock Issues', 12 Jun 1958, PRO T 233/1426; Armstrong (T) to Compton (T), 'Working Party on Colonial Stocks', 13 Jun 1958, PRO T 233/1426; Forsyth (T) to Jenkyns (T), 'Loan Finance for Colonial Governments', 4 Feb 1957, PRO T 236/4961.
 83. 'Note by Messrs. J. & A. Scrimgeour [Crown Agents' brokers]. The Credit of the Overseas Territories', 12 May 1958, PRO T 233/1425. Various unsatisfactory proposals had been made to remedy this problem, including a system of annually repayable colonial bonds, similar to New York practices, or a system of government guarantees. See Lucas (T) to Jenkyns (T), 'Colonial Loan Issues', 29 Apr 1958, PRO T 233/1425. The Bank of England strongly rejected guarantees: Jenkyns (T) to Armstrong (T), 'Guarantee for Colonial Loan Issues', 24 Apr 1958, PRO T 233/1425; Haslam (B/E) to Parsons (B/E), 'Commonwealth Development Finance', 3 Jun 1958, B/E OV 44/56/1527/3.
 84. Rowan (T) to Makins (T), 'Unused Resources', 14 Jan 1957; also Rickett (T) to Rowan (T), 'Unused Resources', 14 Jan 1957, PRO T 236/4318.
 85. Hall (T) to Makins (T), 'Unused Resources', 15 Jan 1957; Makins (T) to Chancellor of the Exchequer (T), 17 Jan 1957, PRO T 236/4318; Rowan (T), 'External Economic Aims', 31 Dec 1957, B/E OV 44/65/1530/2; 'Cabinet Economic Policy Committee. Sterling and Commonwealth Development. Memorandum by the Chancellor of the Exchequer [Thorneycroft]. E.A.(57)52', 21 May 1957, PRO CAB 134/1676; Rowan (T), 'The Advantages of Membership of the Sterling Area', 2 Oct 1958, PRO T 236/5362; 'Cabinet. Economic Policy Committee. Commonwealth Trade and Economic Conference. Main Brief for United Kingdom Delegation at First Preparatory Meeting of Commonwealth Officials. E.A.(58)3', 20 Jan 1958, PRO CAB 134/1679.
 86. Treasury (OF Statistics, Economic Section), Bank of England Working Group, 'The Scope of Additional U.K. Lending to Underdeveloped Commonwealth Countries and Others', 8 Aug 1958, PRO T 230/417; Downie (T) to Hall (T), 'U.K. External Investment 1959-62', 10 Mar 1959, PRO T 230/420. See also, Coffin, 'Aid'.
 87. Macmillan, as Chancellor, reportedly favoured a floating pound, and was very concerned about the liquidity problem in the developing world (see Brittan, *Steering*, p. 124). It is interesting to observe in this connection that economists such as Meade thought that the international liquidity problem was bound to improve, if flexible exchange rates were introduced (see Scammell, *The International Economy*, p. 117). There might thus have been some convergence with interests of British manufacturing for reasons that had little to do with government support for industry in external economic policy. One advocate of a floating pound in the Treasury was A.T.K. Grant: see *idem*, *The Machinery of Finance*, p. 129.
 88. Button, Charlish (BT), 'Studies on Sterling - Capital Account. E.A.(57)47', 21 May 1957, PRO BT 213/96.
 89. Rowan (T) to Rickett (T), 18 Sep 1957; Taylor (T) to Rickett (T), 27 Sep 1957, PRO T 236/5362; Opie (T) to Downie (T), 'Economic Growth and World Trade',

- 10 Mar 1959; Downie (T) to Hall (T), 'Export Policy – E.A.(59)21', 6 Mar 1959, PRO T 230/400.
90. Forsyth (T, OF), 'Colonial Currency Boards: Fiduciary Issues', 7 Feb 1957, PRO T 236/4090; Vile (CO) to Fisher (B/E), 24 May 1957, B/E OV 7/75/612/4.
91. On liquidity, see Armstrong (T) to Compton (T), 'Colonial Balances', 26 Feb 1958, PRO T 236/4776. In 1958, a statistical assessment was repeated along similar lines to the Littler exercise of 1954–5. See: Lucas (T) to Bailey (T), 28 Feb 1958, PRO T 236/4776. The Crown Agents, for example, did not regard marketing board funds as vulnerable: Haslam (B/E) to Chief Cashier, Hawker, Parsons, Deputy Governor (B/E), 'Colonial Stocks and Colonial Borrowing', 21 Apr 1958, B/E ADM 14/50/808/2.
92. O'Brien (Chief Cashier, B/E), 'Colonial Balances', 22 Jan 1958; Parsons (B/E) to Hawker (B/E), 'Colonial Balances', 31 Jan 1958, ADM 14/50.
93. Barker (B/E, Overseas Department, Group IIIC) to Loynes (B/E), 'Colonial Sterling Balances', 9 Dec 1957, B/E ADM 14/50/808/2. For this assessment of 'excess' balances, see Appendix to ch. 9. Cf. also Morgan, *Official History*, vol. 3, ch. 4.
94. O'Brien (B/E), 'Colonial Balances', 22 Jan 1958, B/E ADM 14/50/808/2; Cobbold (Governor, B/E) to Makins (T), 19 Feb 1958, PRO T 236/4776; Treasury Meeting, 'Colonial Sterling Assets', 12 Mar 1958, PRO CO 1025/111; 'Cabinet. Economic Policy Committee. Loan Finance for Colonial Development. Memorandum by the Secretary of State for the Colonies. E.A.(57)49', 17 May 1957, PRO CAB 134/1676; O'Brien (B/E), 'Colonial Balances', 22 Jan 1958, B/E ADM 14/50/808/2; Cobbold (B/E) to Makins (T), 19 Feb 1958; Armstrong (T) to Compton (T), 'Colonial Balances', 26 Feb 1958, PRO T 236/4776.
95. Treasury Meeting, 'Colonial Sterling Assets', 5 Mar 1958, PRO T 233/1425; Jenkyns (T) to Taylor (T), 'Colonial Stocks', 4 Mar 1958; France (T) to Rickett (T), 'Colonial Stocks', 5 Mar 1958; Lucas (T) to Jenkyns (T), 10 Mar 1958, PRO T 236/4776.
96. Parsons (B/E) to Hawker (B/E), 'Colonial Balances', 31 Jan 1958, B/E ADM 14/50/808/2; O'Brien (B/E) to Compton (T), 'Colonial Balances', 20 Feb 1958, PRO CO 1025/111 and T 233/1245; Haslam (B/E), 'Colonial Balances', 29 Aug 1957; Haslam (and the note by O'Brien) (B/E), 'Colonial Balances', 20 Nov 1957, B/E ADM 14/50/808/2. See Appendix to ch. 8.
97. The amount of colonial funds held in British securities amounted to about 80 per cent. Malaya, however, held more colonial stock than other areas, namely 10 per cent of currency funds, or 19 per cent of the total. See 'Report of the Working Party on Colonial Stock Issues', Aug 1958, PRO CO 1025/112.
98. O'Brien (B/E) to Governor, Hawker (B/E), 'Trustee Status', 13 May 1957, B/E C 40/979/1757/2.
99. Treasury Meeting, 'Investment Powers of Trustees and the Colonial Stock Acts', 17 Mar 1959, PRO T 220/642; B/E to Chief Cashier (B/E), 'Investment Powers of Trustees', 19 Oct 1959; 'Investment Powers of Trustees', 22 Oct 1959, B/E C 40/989/1759/3; 'H.M. Treasury. Powers of Investment of Trustees in Great Britain. Cmnd.915', Dec 1959, PRO CO 1025/116. See also Morgan, *Official History*, vol. 3, ch. 5.
100. 'Report by Working Party on the Future of The Colonial Stock Acts', 8 Oct 1959, B/E C 40/989/1759/3; Commonwealth Relations Office to Commonwealth Governments, 'Trustee Stocks', Nov 1959, PRO CO 1025/116; Loynes (B/E) to Chief Cashier (B/E), 'Trustee Status', 23 Nov 1959, B/E C 40/989/1759/3.

101. 'Cabinet. Economic Policy Committee. Loan Finance for Colonial Development. Memorandum by the Secretary of State for the Colonies. E.A.(57)49', 17 May 1957, PRO CAB 134/1676; Thorneycroft (T) to Lennox-Boyd (CO), 1 Jul 1957; Lennox-Boyd (CO) to Thorneycroft (T), 30 Jul 1957, PRO CO 1025/111; 'Working Party on Colonial Stock Issues. Loan Finance for Colonial Development. Note by the Colonial Office', 21 Apr 1958, PRO CO 1025/111. According to the Office, during the period 1946–57, the bulk of development finance had anyhow come from the colonies: see Appendix to ch. 8. Colonial Office, Confidential Memorandum, 'Financial Assistance by H.M.G. to the Colonial Territories', 16 Oct 1959, PRO CO 1025/113.
102. Vile (CO) to Poynton (CO), 24 Apr 1958, PRO CO 1025/111; Lucas (T) to Armstrong (T), 'Colonial Stock Issues', 1 Jun 1958; Jenkyns (T) to Armstrong (T), 'Colonial Stock Issues', 13 Jun 1958; Compton (T) to Armstrong (T), 16 Jun 1958, PRO T 233/1426; Peck (T) to Barrow (T), 'Working Party on Colonial Stock Issues', 5 May 1958; Lucas (T) to Jenkyns (T), 13 Jun 1958, PRO T 233/1562; Reid (T) to Compton, Shillito (T), 'Capital for Colonial Development', 30 Jul 1957, PRO T 220/655; Thorneycroft (T) to Lennox-Boyd (CO), 'Colonial Development Programmes', 2 Dec 1957, PRO CO 1025/111; Peck (T, IF) to Lees (T), 13 Feb 1958; Johnston (T) to Compton (T), 6 Feb 1957, PRO T 220/655.
103. This was extended to £150 million: Peck (T) to Johnston, Wyatt (T), 'Overseas Resources Development Bill. L.C.(57)90', 16 Dec 1957; Colonial Office [Economic General Department] to Ministers, 'Overseas Resources Development Bill. Second Reading Debate on 28th January, 1958. Notes for Ministers. EGD 81/150/01', Jan 1958, PRO T 220/658; Parliament, 'Overseas Resources Development Act, 1958. Explanatory Memorandum', Mar 1958, PRO T 220/659; Commonwealth Relations Office (CRO) to UK High Commissioners etc., 'Colonial Development Corporation: Overseas Resources Development Act, 1958 [Telegram]', 26 Mar 1958, PRO DO 35/5653.
104. Loynes (B/E) to Chief Cashier, Parsons (B/E), 'Colonies: Exchequer Loans', 25 Jul 1958, B/E ADM 14/51/808/3; 'Cabinet. Ministerial Committee on the Commonwealth Trade and Economic Conference. Minutes. GEN.650/3rd Meeting', 1 Sep 1958, PRO CAB 130/148; *idem*, 'Exchequer Loans for the Colonies. Memorandum by the Official Steering Group. GEN.650/35', 25 Aug 1958, PRO CAB 130/149; 'Cabinet. Commonwealth Trade and Economic Conference. Official Steering Group. Exchequer Loans for the Colonies. Memorandum by the Colonial Office. GEN.656/30', 20 Aug 1958, PRO CAB 130/152; 'Minutes of the 32d Meeting of the Ministerial Committee; Commonwealth Trade and Economic Conference', 1 Sep 1958, PRO CO 1025/112; Lees (T, HF) to Peck (T, IF), 'Finance for the Colonies', 14 Jun 1957, PRO T 220/655; 'Cabinet. Economic Policy Committee, E.A.(58) 12th Meeting, Minute 3, Confidential Annex', 20 May 1958, PRO CO 1025/112; 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. The Capital Requirements of the Colonial Territories. Note by the Colonial Office. E.S.(C.E.)(58) 20 (Revise)', 21 Apr 1958, PRO CAB 134/1842.
105. Bolton (B/E) to Deputy Governor (B/E), 'The Collective Approach Committee', 5 Sep 1955, B/E OV 44/65/1530/2; also Bank of England, 'Note for Record', 21 Feb 1955, B/E OV 44/64/1530/1.
106. Unfortunately, to my knowledge, there exists as yet no study that gives due emphasis to the socio-economic underpinnings of Conservative Party politics. It would be important to know to which backbenchers the new Prime Minister

- listened, and how the Conservative Party of 1951 differed from the one in 1957. For some indication, see Brittan, *Steering*, p. 124. For the changing stance of industry towards Europe from 1957, see Blank, *Industry*, pp. 139–48.
107. Note that Prime Minister Macmillan, Chancellor Thorneycroft and Maudling, the architect of policy on Europe, in the mid-1950s had held the posts of Chancellor, President of the Board of Trade and Economic Secretary, respectively.
 108. The line taken by the head of the Overseas Finance Division of the Treasury, Sir Leslie Rowan, is particularly instructive. See a great number of references throughout this chapter. See also Rowan's statement before the Radcliffe committee: Brittan, *Steering*, p. 138.
 109. Hall (T) to Makins (T), 'Unused Resources', 15 1957, PRO T 236/4318; Makins (T) to Chancellor of the Exchequer (T), 17 Jan 1957, PRO T 236/4318. Reference is also made here to the article in the *Economist* of 5 Jan 1957: 'The Year the Economy Stood Still'. See also Dow, *The Management*, pp. 103–11; and Blank, *Industry*, pp. 139–42.

9 The Sterling Empire and the International Economy: Frictions with Cosmopolitan Britain, 1958 and Beyond

1. See the vast amount of studies in the 1960s, many of which were inspired by Emerson, *Empire to Nation*; for a review, see Curtin, 'Nationalism in Africa'. However, more recent studies also accept such an interpretation. See, for example, Iliffe, *A Modern History of Tanganyika*, ch. 16; Isichei, *A History of Nigeria*; Hargreaves, *Decolonization*. By contrast, studies inspired by dependency theory are mainly concerned with the effects on peripheral economic development of the independence settlement. For a case study of Kenya, see Wasserman, 'The Independence Bargain', *idem*, 'The Politics of Consensual Decolonization', *idem*, *The Politics of Decolonisation*.
2. See Ady, 'Ghana'; Barback, 'Nigeria'; and other studies in Bulletin of the Oxford University Institute of Statistics (ed.), *The Future of the Sterling Area*. A more recent study emphasizing the role of liberal multilateralism for development on the periphery is Bangura, *Britain and Commonwealth Africa*, chs. 4 and 5. For changes between the 1950s and 1960s, see also Fieldhouse, *Black Africa*. A summary account of relevant official documents is provided by Morgan, *Official History*, vol. 3, chs. 4–7.
3. See, for example, studies in Newlyn (ed.), *The Financing*; also Fleetwood, *Money and Finance*; for regional studies, see McKenna, 'Financial Developments'; Drake, *Financial Development*; Spinnler, *Außenhandel Nigerias*.
4. The present account is only concerned with general aspects that are relevant to British external economic relations rather than with the detailed rationale of various economic policies on the periphery. For an important case study (of Malaya), see Drake, *Financial Development*.
5. Trade relations widened because of peripheral pressure and also because convertibility was related to implementing IMF and GATT provisions. See, Patterson, *Discrimination*. See also ch. 8.
6. This had been long in the making: see ch. 7. See also Jenkyns (T), 'Notes on a Visit to Singapore and Kuala Lumpur. 30th October–5th November 1957', 12 Nov 1957, PRO T 236/4694; McKenna, 'Financial Developments'; Wheelwright, 'Industrialization in Malaya'.
7. Treasury (OF), 'Independent Gold Pots', May 1959 (the revised version of a document of Sep 1957), PRO T 236/5369.

8. See, for example, Colonial Secretary (CO) to Arden-Clarke (Gold Coast), 28 Jan 1957, PRO CO 852/1677; Loynes (B/E) to Parsons (B/E), 'Ghana', 31 Jul 1958, B/E OV 69/5/2766/3.
9. For initiatives by Ghana and Malaya to mitigate such developments, see 'Commonwealth Trade and Economic Conference. Memorandum by the Government of the Federation of Malaya. C.O.(J)(58) 15', 29 May 1958, PRO CAB 133/193; 'Ghana's Proposals for a Commonwealth Convention on Trustee Status', 18 Mar 1960, B/E C 40/989/1759/3.
10. See, for example, Manu, 'Balance of Payments'; Ady, 'Ghana'; McKenna, 'Financial Developments', Wheelwright, 'Industrialization'; Woolmer, 'The Financial System', Fajana, 'Import Licensing'; Spinnler, *Außenhandel*; Kilby, *Manufacturing*, pp. 516–17.
11. The case studies in Scott (ed.), 'The Future of the Sterling Area', are instructive in that respect.
12. See Manu, 'Balance of Payments'.
13. Scammell, *The International Economy*, p. 77; Mikesell, *Public International Lending*, ch. 9.
14. See notably PRO T 236/5369. Compare for relevant remarks also Loynes (B/E) to Chief Cashier, Parsons (B/E), 'Colonies: Exchequer Loans', 25 Jul 1958, B/E ADM 14/51/808/3; 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675; Taylor (T) to Rickett (T), 27 Sep 1957, PRO T 236/5362.
15. Ady, 'Ghana', pp. 321, 324; Loynes (B/E) to Governor (B/E), 'Chief Festus Okotie-Eboh', 21 Sep 1959, B/E OV 68/6/2763/5.
16. Ghana and Nigeria are cases in point. See Fleetwood, *Money and Finance in Africa*.
17. The most relevant case in the present context is Ghana. For a near-contemporary assessment, see Economist Intelligence Unit, *The Commonwealth*, pp. 400–8, and for relevant trade statistics Appendix 2, tables 1 and 2; see also Bilgrami, *Britain*, pp. 126–8; and Spinnler, *Außenhandel*, pp. 51–3.
18. For a typical statement on these general issues, see 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675.
19. The move to convertibility implied eventually the acceptance of article VIII of the IMF. Discrimination was then only possible in view of customs unions, or special preferential arrangements for peripheral countries that were being negotiated in the early 1960s under the new world trade rules of the GATT. For the latter point, see Scammell, *The International Economy*, p. 167.
20. Treasury (OF), 'Independent Gold Pots', May 1959 (the revised version of a document of Sep 1957), PRO T 236/5369.
21. This is, among others, borne out by the abandonment of trusteeship arrangements. See ch. 8, and for details 'Extension of the Range of Trustee Investment', PRO CO 1025/116; and H.M. Treasury, *Powers of Investment of Trustees in Great Britain*, (Dec 1959, Cmd.915). See also Morgan, *Official History*, vol. 3, ch. 5.
22. See ch. 8.
23. See, Fajana, 'Import Licensing', p. 518.
24. Scott, 'What Should Be Done', pp. 228–38; 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675.
25. For changes during the 1960s, see Bangura, *Britain and Commonwealth Africa*, pp. 97–114.
26. A contemporary summary of the options and constraints for Britain's external economic policy is Scott, 'What Should Be Done'.

27. Thompson-McCausland (B/E) to Governors (B/E), 'The Sterling Area [Part II]', 10 May 1957, B/E ADM 14/49/808/1; 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675; Barrow (T) to Armstrong (T), 'Working Party on Colonial Stock Issues', 11 Apr 1958, PRO T 233/1425.
28. See Downing and Perkins, 'Australia'; Crawford, *Australian Trade Policy*, chs. 4 and 9.
29. See Datta, 'India'; Dhar, *The Sterling Balances*, ch. 10.
30. See Faber, 'Federation of Rhodesia and Nyasaland'. Moreover, due to internal developments, the Federation suffered heavy disinvestment from 1960: see Sowelem, *Towards Financial Independence*, p. 210.
31. See Conan, 'The Changing Pattern'; Faber, 'The Federation of Rhodesia and Nyasaland'; also Bank of England, 'Aid to the R.S.A. from the Non-Sterling Area 1948-55', Sep 1956, B/E ADM 14/47/807/8; and PRO CAOG 9/33.
32. Kenya and the East African High Commission received the bulk of London market loans in the period 1948-57: see PRO CAOG 9/33.
33. 'Cabinet. Economic Policy Committee. Import Restrictions: Items of Colonial Interest. Note by the Secretaries. E.A.(59) 90', 18 Dec 1959, PRO CAB 134/1684; 'Working Party on the Colonial Interest in Dollar Liberalisation. Minutes, C.L.(60) 1st Meeting', 2 Mar 1960, PRO T 236/5579; 'Import Restrictions - Items of Colonial Interest', 18 Oct 1960, PRO T 236/5577. See also 'Analyst', 'The West Indies'.
34. Wheelwright, 'Industrialization', pp. 230-1, and *passim*; also McKenna, 'Financial Developments'. For an official estimate of development expenditure by the periphery in relation to 'excess' balances, see Appendix to ch 9. Cf. also Morgan, *Official History*, vol. 3, ch. 4.
35. Fajana, 'Import Licensing'. It must be noted in this connection that oil production in Nigeria did not take off before the 1960s.
36. Manu, 'Balance of Payments', pp. 17-21.
37. 'Exports of Commonwealth Countries to the European Economic Community (E.E.C.)', Jul 1959, PRO CO 852/1735; Colonial Office Meeting, 'Colonies and European Economic Development', 30 Jun 1959, PRO CO 852/1734. See also Ady, 'Ghana', p. 322.
38. For developments during the 1960s, see the vast literature on LDCs that emerged during that time. For an introduction, see Spero, *The Politics*; Scammell, *The International Economy*, ch. 11; for Africa, Austen, *African Economic History*, ch. 9.
39. See, for example, Scott (ed.), 'The Future of the Sterling Area', and the near-contemporary study by Fleetwood, *Money and Finance in Africa*.
40. This varied in different (ex-)colonies: see ch. 3.
41. See ch. 8.
42. For an early advocacy of these ideas, see Prebisch, 'Commercial Policy'. See also Fleetwood, *Money and Finance in Africa*; Woolmers, 'The Financial System'; Scammell, *The International Economy*, ch. 11.
43. The latter mainly concerned the Gold Coast/Ghana, for which see sections 4 and 5 below.
44. This does not mean that certain parts of British government departments, notably in the Colonial Office, did not at times (for example, during the war or the rearmament debate) advocate certain forms of industrial production in the colonies. However, this did not constitute official British policy. For CO thinking on the matter, see Butler, *Industrialisation*.
45. For these developments, see Scammell, *The International Economy*, ch. 11.

46. For this paragraph, see McKenna, 'Financial developments', p. 208, and *passim*; Wheelwright, 'Industrialization', pp. 218, 219, 234; Sherwood, 'The Watson-Caine Report'; King, 'Notes'; Drake, *Financial Development*. A more recent study argues that Malayan economic policy was overcautious, especially with regard to borrowing: Ann, 'Fiscal Policy and Political Transition'. For political developments: Ryan, *The Making of Modern Malaya*.
47. Barback, 'Nigeria', p. 327; Arowolo, 'The Development of Capital Markets', pp. 446–9.
48. Loynes (B/E) to Governor (B/E), 'Nigeria: Currency/Central Bank Report', 31 Oct 1957, B/E OV 68/4/2763/3. Also Barback, 'Nigeria', p. 325; Fleetwood, *Money and Finance in Africa*, pp. 56, 58, p. 226.
49. Fleetwood, *Money and Finance in Africa*, p. 69; Spinnler, *Außenhandel*, p. 194.
50. Manu, 'Balance of Payments'; Onoh, *Money and Banking*, pp. 62–4; Oshikoya, 'Balance-of-Payments Experience'.
51. Lucas (T) to Jenkyns (T), 'Colonial Stocks', 6 Mar 1958, PRO T 236/4776. Ady, 'Ghana', p. 313, see also the table on p. 314; Manu, 'The Balance of Payments'.
52. Throughout the 1950s the Gold Coast/Ghana was unable to float a single loan on the London market: see PRO CAOG 9/33; Ady, 'Ghana', pp. 321, 324. The British attitude is illustrated by Loynes (B/E) to Governors (B/E), 'Ghana: Gbedemah's Visit', 25 Jul 1958, B/E OV 69/5/2766/3. Cf. also the contemporary criticism of the misallocation of development finance within the sterling area: Zupnick, 'The Sterling Area's Pooling System'.
53. By ruling that cocoa duty over £50 per ton became a contribution to the development fund: Ady, 'Ghana', p. 316; also Hakam, 'Impediments'.
54. See Manu, 'Balance of Payments', p. 20.
55. By early 1957, key policy-makers had realized the reduced prospects of the imperial sterling periphery in Britain's external economic relations. For typical statements, see Rowan (T), 'External Economic Aims', 31 Dec 1957, B/E OV 44/65/1530/2; and Thompson-McCausland (B/E) to Governors (B/E), 'The Sterling Area', 10 May 1957, B/E ADM 14/49/808/1.
56. These views were shared by Professor W.A. Lewis, who acted as an independent adviser to the Ghana government and participated in meetings with the Bank of England. Otherwise, British government departments and the Bank appreciated Lewis's moderating influence concerning Ghana's demands: Loynes (B/E) to Chief Cashier, Parsons (B/E), 'Ghana', 27 Nov 1957, B/E OV 69/5/2766/3. See also Ady, 'Ghana', p. 313.
57. Colonial Secretary (CO) to Arden-Clarke (Governor, Gold Coast), 28 Jan 1957, PRO CO 852/1677.
58. Colonial Secretary (CO) to Arden Clarke (Governor, Gold Coast), 'Colonial Development and Welfare Funds', 6 Feb 1957, PRO CO 1025/105.
59. The limited evidence suggests that Lewis's close association with leading policy-makers in Ghana might have had an influence in that respect. Cf., for example, Parsons (B/E) to Governors (B/E), 'Ghana', 27 Nov 1957; Loynes (B/E) to Chief Cashier, Parsons (B/E), 'Ghana', 27 Nov 1957, B/E OV 69/5/2766/3; UK Treasury and Supply Delegation (Washington) to Parsons (B/E), 13 Jun 1958, B/E OV 69/5/2766/3.
60. Loynes (B/E) to Chief Cashier [O'Brien] (B/E), 'Colonial Sterling Assets', 4 Dec 1957, B/E ADM 14/50/808/2; Jenkyns (T) to Armstrong (T), 'Ghana's Sterling Balances', 17 Mar 1958, PRO T 233/1245. The Bank of England and the Crown Agents agreed on strengthening the survey mechanisms. For Ghana, see 'Colonial Balances', 29 Aug 1957; 'Colonial Balances', 20 Nov 1957; Barker (B/E,

- Overseas Department, Group IIIC) to Loynes (B/E), 'Colonial Sterling Balances', 9 Dec 1957, B/E ADM 14/50/808/2.
61. Parsons (B/E) to Governor (B/E), 'Ghana', 27 Nov 1957, B/E OV 69/5/2766/3.
 62. Bank of England, 'Colonial Balances', 15 Jan 1958, B/E ADM 14/50/808/2; Jenkyns (T) to Armstrong (T), 'Ghana's Sterling Balances', 17 Mar 1958, PRO T 233/1245.
 63. UK Treasury and Supply Delegation, Washington, to Parsons (B/E), 13 Jun 1958, B/E OV 69/5/2766/3.
 64. Loynes (B/E) to Parsons (B/E), 'Ghana (Gbedemah's conversation with Makins)', 31 Jul 1958, B/E OV 69/5/2766/3.
 65. Rowan (T) to Taylor, 31 Jan 1958; Lucas (T) to Jenkyns (T), 'Colonial Stocks', 6 Mar 1958, PRO T 236/4776.
 66. Snelling (Accra, High Commissioner) to Rumbold (CRO), 3 Sep 1960; Bank of England (Overseas Office) to Watson, Stevens (B/E), 'Ghana', 6 Sep 1960; Kessel (Governor, Bank of Ghana), 'Notes on the Sterling Area and Aspects of Membership', 8 Sep 1960, B/E OV 69/5/2766/3.
 67. It is noteworthy that by that time Britain had provided some assistance for Ghana by way of a gesture of a £5 million loan for the Volta scheme.
 68. Rickett (T) to Frank Lee, 'Ghana', 16 Sep 1960; Loynes (B/E) to Parsons (B/E), 'Ghana', 20 Sep 1960, B/E OV 69/5/2766/3.
 69. Dodd (CO), 'Federation of Malaya and Colonial Development and Welfare Funds', 19 Jun 1957, PRO CO 1025/105. However, as a sort of independence present Malaya received the equivalent of its unspent allocations at the date of independence, namely about £4 million. Colonial Secretary (CO) to High Commissioner Federation of Malaya, Governor Singapore, 4 Jul 1957, PRO CO 1025/105.
 70. Jenkyns (T), 'Notes on a Visit to Singapore and Kuala Lumpur. 30th October–5th November, 1957', 12 Nov 1957, PRO T 236/4694.
 71. For example, by establishing a Commonwealth Bank: 'Commonwealth Trade and Economic Conference. Second Preparatory Meeting of Officials. Sterling Area Prospect – Institutions. Memorandum by the Government of the Federation of Malaya. C.O.(J)(58) 15', 29 May 1958, PRO CAB 133/193.
 72. Henley (DO, Office of the Commissioner General, Singapore) to Jenkyns (T), 22 Feb 1958, PRO T 236/4797.
 73. Jenkyns (T), 'Notes on a Visit to Singapore and Kuala Lumpur. 30th October–5th November 1957', 12 Nov 1957, PRO T 236/4694.
 74. However, the British were not entirely satisfied with the choice of governor for the new central bank, an Australian, since they had hoped to place a Bank of England man. See Tory (Office UK High Commissioner, Kuala Lumpur) to Earl of Home (Secretary of State for Commonwealth Relations), 20 Mar 1959, PRO T 236/4797.
 75. Jenkyns (T) to Maude (T), 'Lunch with the Tengku', 23 May 1957; Jenkyns (T) to Taylor (T), 'Central Bank for Malaya', 26 Sep 1957; Jenkyns (T), 'Notes on a Visit to Singapore and Kuala Lumpur. 30th October–5th November 1957', 12 Nov 1957, PRO T 236/4694.
 76. Tory (Office, UK High Commissioner, Kuala Lumpur) to Earl of Home (Secretary of State for Commonwealth Relations), 20 Mar 1959, PRO T 236/4797; Federation of Malaya (Kuala Lumpur), 'Malaya Central Bank Ordinance', 23 Sep 1958, PRO T 236/4797.

77. Lucas (T) to MacKay, Taylor (T), 'Malayan Currency Talks', 18 Feb 1960, PRO T 236/5149. See also Clause 10(4) (b) of the Malaya British Borneo Currency Agreement, 1960.
78. Peck (T) to Vile (CO), 30 May 1957; Colonial Secretary to Nigeria, 'Colonial Development and Welfare Allocations', 30 Apr 1959, PRO CO 1025/105. For a summary of constitutional developments, see Coleman, *Nigeria*, p. 372.
79. Colonial Office (Finance Division), 'Nigeria Constitutional Conference. Trustee Status for Nigerian Loans in the United Kingdom. FIN.96/164/04', 11 Jan 1957, PRO CO 1025/95; Colonial Office, 'Memorandum. Borrowing in London by the Federation of Nigeria', 19 Nov 1958, B/E OV 68/3/2763/2.
80. Bank of England (Overseas Department), 'Nigeria: Development Finance', 23 Jan 1958, B/E OV 68/5/2763/4; Colonial Office, 'Memorandum. Borrowing in London by the Federation of Nigeria', 19 Nov 1958, B/E OV 68/3/2763/2. The Bank of England was also concerned that no false expectations were raised with regard to Nigeria's borrowing prospects from alternative sources, such as the CDFC. See, for example, Loynes (B/E) to Hawker (B/E), 'C.D.F.C: Nigeria', 28 Oct 1958, B/E OV 68/6/2763/5.
81. Due to the territory's status as a colony, Britain needed to guarantee IBRD loans and step in for additional finance above the floated loan that might be required to finish a given development project.
82. Bank of England to Parsons (B/E), 'I.B.R.D. - Nigeria', 31 Mar 1958; Edgley (B/E, Overseas Department, Group IIIC) to Ryan (B/E), 'Nigeria - Sterling Assets', 5 Feb 1958; Bank of England to Parsons (B/E), 'I.B.R.D. - Nigeria', 1 Apr 1958; Edgley (B/E, Overseas Department, Group IIIC) to Fenton (B/E), 'Nigeria: I.B.R.D. Borrowing', 2 Apr 1958, B/E OV 68/5/2763/4.
83. By that time, the West African Currency Board had become confined to the Gambia and Sierra Leone: Fisher (B/E) to Governor (B/E), 'West African Currency Board', 28 Apr 1959, B/E OV 7/36/604/2. The report by Loynes strongly opposed an earlier IBRD proposal that all sterling reserves be held by the Nigerian bank. See also Brown, *The Nigerian Banking System*, ch. 4.
84. Loynes (B/E) to Governor (B/E), 'Nigeria: Currency/Central Bank Report', 31 Oct 1957, B/E OV 68/4/2763/3; Williams (Financial Secretary of the Federation, Nigeria) to Crown Agents, 1 Aug 1957, B/E OV 7/35/604/1. See also Federation of Nigeria, *Report by Mr. J.B. Loynes on the Establishment of a Nigerian Central Bank*.
85. Fisher (B/E) to Loynes (B/E), 'East African Currency Board', 15 Nov 1957, B/E OV 7/75/612/4; Barker (B/E, Overseas Department, Group IIIC) to Ryan, Fisher (B/E), 'Kenya - Development Finance', 25 Mar 1958, B/E OV 74/1/2838/3.
86. Barker (B/E, Overseas Department, Group IIIC) to Ryan, Fisher (B/E), 'Kenya - Development Finance', 25 Mar 1958, B/E OV 74/1/2838/3; 'Cabinet Colonial Policy Committee. Future Policy in East Africa. Memorandum by the Secretary of State for the Colonies', 10 Apr 1959, PRO CAB 134/1558.
87. Hughes (B/E, Overseas Department, Group IIIC) to Loynes, Spiers (B/E), 'Kenya: Minister of Finance', 1 Oct 1959, B/E OV 74/1/2838/3; Loynes (B/E) to Governor (B/E), 'Chief Festus Okotie-Eboh', 21 Sep 1959, B/E OV 68/6/2763/5.
88. Widdup (T) to Lucas, Clowser (T), 29 Nov 1957; Widdup (T) to Clowser, Lucas (T), 'Disposal of Colonial Stocks Forming Part of Colonial Assets', 9 Jan 1958, PRO T 233/1245; Jenkyns (T) to Taylor (T), 11 Feb 1958, PRO T 236/4776.
89. For a summary account of the concerns on the African sterling periphery, see Bangura, *Britain and Commonwealth Africa*, ch. 4. However, Bangura is not

concerned with linking these changes to the transformation of Britain's external economic policy.

90. Colonial Office Meeting, 'Colonies and European Economic Development', 30 Jun 1959, PRO CO 852/1734; 'Treaty of Rome and the G.A.T.T. (CO Circular 1149/59)', 30 Oct 1959, PRO CO 852/1737.
91. Loynes (B/E) to Chief Cashier [O'Brien] (B/E), 'Colonial Sterling Assets', 4 Dec 1957, B/E ADM 14/50/808/2; Jenkyns (T) to Armstrong (T), 'Ghana's Sterling Balances', 17 Mar 1958, PRO T 233/1245.
92. Snelling (Accra, High Commissioner) to Rumbold (CRO), 3 Sep 1960; Bank of England (Overseas Office) to Watson, Stevens (B/E), 'Ghana', 6 Sep 1960; Kessel (Governor, Bank of Ghana), 'Notes on the Sterling Area and Aspects of Membership', 8 Sep 1960, B/E OV 69/5/2766/3.
93. This dimension is sometimes ignored: for example, Schenk, 'The Origins'.
94. This course is borne out particularly by the viewpoint expressed in the Treasury's Overseas Finance Division, and by the Bank of England adviser on colonial matters, J.B. Loynes.
95. This stood in notable contrast to some of the suggestions for a reformed sterling area floated in academic circles, such as the so-called Day-Shonfield thesis which advocated preferential access for Ghana to the London money market. See Ady, 'Ghana', p. 321, and Scott, 'What Should Be Done'.
96. Haslam (B/E) to Loynes, Speirs (B/E), 'Ghana. London Borrowing', 18 Sep 1959, B/E OV 69/5/2766/3.
97. 'Ghana's proposals for a Commonwealth Convention on Trustee Status', 18 Mar 1960, B/E C 40/989/1759/3.
98. 'Cabinet. Committee on Commonwealth Economic Development. Tying of Loans. C.E.D.(57)13', 12 Mar 1957, PRO BT 213/81. See also ch. 8.
99. Rowan (T) to Rickett (T), 18 Sep 1957, PRO T 236/5362; Taylor (T) to Rickett (T), 27 Sep 1957, PRO T 236/5362.
100. The Ghana government disbanded the Ashanti Farmers Union and abolished the marketing boards: Apter, *Ghana*, p. 343. They thus moved against some of Britain's traditional antagonists. See also ch. 5.
101. See Fajana, 'Import Licensing', p. 518; Woolmer, 'The Financial System'; Oshikoya, 'Balance-of-Payments Experience'.
102. 57 per cent: Bank of England (Overseas Department) to Thompson-McCausland (B/E), "'Excess" Sterling Balances - Malaya and Singapore', 12 Dec 1957, B/E ADM 14/50/808/2.
103. See Rudner, 'Development Policies'; Drake, *Financial Development*.
104. See, for example, Bates, *Beyond the Miracle*, ch. 2; also Murphy, *Party Politics*.

10 The End of the British Empire: A Synthesis and an Interpretation

1. See chs. 1 and 2.
2. Drake, *Financial Development*, passim.
3. See ch. 5.
4. See the Accra incidents of 1947 and the enquiry into its causes; ch. 5.
5. See chs. 4 and 5.
6. See chs. 5, 7 and 9.
7. For evidence, see the references provided in ch. 4.
8. Schenk, *Britain and the Sterling Area*; *idem*, 'The Sterling Area'.

9. This view was not questioned by the Working Party that investigated the balances issue in 1953. See ch. 6.
10. Rhodesia was an exception in this as in many other respects.
11. See chs. 7 and 9.
12. See chs. 4, 6 and 8.
13. See ch. 8.
14. See ch. 9.
15. See ch. 8.
16. See chs. 9 and 11.
17. As far as empires are concerned, this holds true for the German and Italian case. Britain, France and Portugal fall outside this pattern, and are, therefore, of particular interest for research.
18. In this respect, though not regarding conclusions on 'decolonization', the present argument is consistent with the literature focusing on the Colonial Office's 'official mind', which argues that the Second World War constituted an important discontinuity. See, for example, Crowder, 'The Second World War: Prelude to Decolonization in Africa'.
19. See chs. 1 and 2.
20. See Committee on Sterling Area Prospects (Chairman: Sir Dennis Rickett); also Rowan (T) to Makins, 'Unused Resources', 14 Jan 1957, PRO T 236/4318.
21. Debates within the Bank of England are instructive in this connection. See ch. 8.
22. For Malaya, see PRO C.M. 9(56)7 of 8 Feb 1956; for the financial agreement, see PRO C.M. 16(56)11 of 22 Feb 1956; for the Gold Coast, see PRO C.M. 20(56)6 of 8 Mar 1956 and C.M. 64(56)2 of 11 Sep 1956.
23. Even so, the Prime Minister and the Commonwealth Secretary had their doubts. See Goldsworthy, 'Keeping Change Within Bounds', p. 92.
24. See PRO C.C. 86(58)5 of 18 Dec 1958.
25. See, for example, the arrangements introduced in Nigeria with regard to a central bank following the Loynes Report. See ch. 9.
26. For a brief account, see ch. 8.
27. See chs. 3 and 8. The relevant discussions took place in the Committee on Overseas Investment, Committee on Commonwealth Development (Perth Committee), and the Committee on Development Policy. See also Morgan, *Official History*, vol. 3, chs. 4 and 5.
28. Discussed immediately below. Another document from mid-1950 which refers to the end of the British empire was a mere public relations exercise by the Colonial Office International Relations Department. This paper aimed at assuaging US anti-colonial rhetoric and rallying American support in the United Nations. The Colonial Office was always wary of the image of colonial rule. See Hyam, *The Labour Government and the End of Empire*, part I, pp. 334–66: Colonial Office International Relations Department, 'The Colonial Empire Today; Summary of Our Main Problems and Policies'. Significantly, this document also falls in a period of reinvigorated discriminatory management of the empire. It needs to be stressed, moreover, that the Colonial Office plans concerned with changes in so-called native administration signal merely a change in administrative doctrine. For pertinent remarks, see Westcott, *JICH* 11, 3 (1983), pp. 367–8 (reviewing Pearce, *The Turning Point*).
29. Economic Section [prepared by Nita Watts] to Lord President, 'The Economic Aspects of Giving up the Empire', 10 Sep 1946, PRO T 230/276.
30. India was an issue that policy needed to address separately. See: Tomlinson, 'Indo-British Relations'.

31. See Moggridge (ed.), *Collected Writings of Keynes*, XXVII, pp. 446–58.
32. Recently, members of the Treasury's Economic Section at the time have argued that the influence of the Section on Britain's external economic policy was less strong than in domestic matters: Cairncross and Watts, *The Economic Section*, p. 285.
33. Minute of 28 Jan 1957, PRO CAB 134/1555. Colonial Policy Committee, 'Future Constitutional Development in the Colonies (Economic and Financial Considerations)', Jul 1957, PRO CAB 134/1556; 'Cabinet Official Committee on Colonial Policy. Future Constitutional Development in the Colonies [rev. of section 7: Economic]', 4 Jul 1957, PRO CAB 134/1551. See also Morgan, *Official History*, vol. 5, ch. 5. For a detailed discussion of the reports, see Hopkins, 'Macmillan's Audit'.
34. See chs. 8 and 9.
35. 'Cabinet Colonial Policy Committee: Future Constitutional Development in the Colonies', Memorandum by the Lord President of the Council, 25 Feb 1957, PRO CAB 134/1555; see also: McIntyre, 'The Admission of Small States to the Commonwealth'.
36. See PRO C.C. 42(57)4 of 22 May 1957. Equally, the agenda of the Prime Minister's 1957 Commonwealth Tour contained no references to an anticipated withdrawal from the empire: 'Cabinet. Committee on Prime Minister's Commonwealth Tour. Capital Development and Confidence in Sterling. Note by the Treasury. GEN.622/1/13', 19 Dec 1957; 'United Kingdom Overseas Investment Policy. Note by the Treasury. GEN.622/1/12', 19 Dec 1957; 'The Sterling Area's Balance of Payments. Note by the Treasury. GEN.622/1/11', 18 Dec 1957, PRO CAB 130/138.
37. Given this context, Macmillan's policy review was by no means evenly poised, nor were economic factors marginal, as suggested by Morgan, and followed by various authors, such as Fieldhouse (quoted by Reynolds, *Britannia Overruled*, p. 222; and by Austen, *African Economic History*, p. 210). Macmillan's 'hostility' towards the empire (alleged by Holland, 'The Imperial Factor', p. 181) does not appear to be a convincing explanation either.
38. 'Cabinet. Economic Steering Committee. Minutes, E.S.(57) 1st Meeting', 18 Jan 1957, PRO CAB 134/1835; 'Cabinet. Economic Policy Committee. The Sterling Area. Note by the Economic Steering Committee. E.A.(57)12', 4 Feb 1957, PRO CAB 134/1675; 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. How to Strengthen Sterling. Note by the Treasury and Bank of England. E.S.(C.E.)(57)14', 15 Nov 1957, PRO CAB 134/1841.
39. Colonial Office, 'Brief for the Secretary of State [for the Colonies], Economic Policy Committee, E.A.(57)12 – The Sterling Area', 19 Feb 1957, PRO CO 852/1677; 'Cabinet. Economic Policy Committee. Loan Finance for Colonial Development. Memorandum by the Secretary of State for the Colonies. E.A.(57)49', 17 May 1957, PRO CAB 134/1676; 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. The Capital Requirements of the Colonial Territories. Note by the Colonial Office. E.S.(C.E.)(58) 20 (Revise)', 21 Apr 1958, PRO CAB 134/1842.
40. 'Cabinet. Economic Policy Committee. Minutes. Sterling and Commonwealth Economic Development', 29 May 1957, PRO CAB 134/1674; 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Commonwealth Long-Term Capital Flows – E.S.(C.E.)(58)42. Brief

- for United Kingdom Delegation.', 27 May 1958, PRO CAB 134/1844; PRO C.C. 44(57)1 of 4 Jun 1957; see also Chancellor's memo PRO C.(57)131 and that of the Colonial Secretary PRO C.(57) 130.
41. PRO C.C. 29(57)3 of 3 Apr and of 6 May 1957. Hong Kong and Kenya had asked to be admitted. Compare also 'Cabinet. Economic Steering Committee. Sub-Committee on Closer Economic Association with Europe. Working Party on the Colonies. Second Report of the Working Party. E.S.(E.I.)(C)(56)11', 14 Dec 1956, PRO CAB 134/1878; and 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Prospects and Implications for Commonwealth Countries of the European Economic Community and the Proposed European Free Trade Area. Note by the Treasury. E.S.(C.E.)(58)13', 3 Feb 1958, PRO CAB 134/1842.
 42. 'Cabinet. Economic Policy Committee. Sterling. Memorandum by the Economic Secretary. E.A.(57)20', 1 Mar 1957, PRO CAB 134/1675.
 43. 'Cabinet. Economic Steering Committee. Sub-Committee on Commonwealth Trade and Economic Conference. Collective Commonwealth Borrowing. Note by the Treasury. E.S.(C.E.)(57)20', 11 Dec 1957, B/E OV 44/56/1527/3.
 44. 'Cabinet. Economic Steering Committee. Sub-Committee on United Kingdom External Investment. Composition and Terms of Reference E.S.(U.K.I.)(58)1', 23 Jul 1958, PRO T 230/417.
 45. 'Cabinet. Economic Policy Committee. Commonwealth Trade and Economic Conference. Main Brief for UK Delegation at First Preparatory Meeting of Commonwealth Officials. E.A.(58)3', 20 Jan 1958, PRO CAB 134/1679.
 46. These were the subject of debates in the Bank of England which are tied in with discussions on British capital exports and the functioning of the sterling area after convertibility. See chs. 8 and 9.
 47. 'Cabinet. Economic Policy Committee. Minutes, E.A.(59) 23rd Meeting. Balance of Payments Prospects to mid-1960', 25 Nov 1959, PRO CAB 134/1681; 'Cabinet. Economic Policy Committee. Commonwealth Economic Consultative Council: Meeting of Senior Officials. E.A.(59)36', 1 Jun 1959, PRO CAB 134/1682. This is the report of the first meeting held under the aegis of the newly formed Commonwealth Economic Consultative Council. See also 'Cabinet. Economic Policy Committee. Commonwealth Economic Consultative Council. Report of the Commonwealth Development Advisory Group. E.A.(59) 56', 22 Jul 1959, PRO CAB 134/1684; PRO C.C.15(60)6 of 6 Mar 1960, and the memorandum by the Chancellor PRO C.(60)38.
 48. PRO C.C.64(59)1 of 17 Dec 1959 and a memorandum by the Home Secretary PRO C.(59)184.
 49. See, for example, Holland, *European Decolonization*, p. 242; also Iliffe, *A Modern History of Tanganyika*, p. 566.
 50. 'Colonial Policy Committee. Terms of Reference and Composition. Note by the Secretary of the Cabinet [Norman Brook]. C.P.C.(58)21', 1 Dec 1958, PRO CAB 134/1557. This committee was composed of Cabinet ministers. Compare also the work of the Official Committee on Colonial Policy under Norman Brook, which included officials from the Colonial Office, Treasury, Commonwealth Relations Office, Foreign Office, and Ministry of Defence. 'Cabinet, Official Committee on Colonial Policy, Composition and Terms of Reference, Note by the Secretary of the Cabinet', 18 Jan 1956, PRO CAB 134/1203.
 51. In Sep 1958, a constitutional conference for Nigeria decided on self-government for a Nigerian Federation, and discussed a defence agreement: PRO C.C. 71(58)5;

- C.C. 76(58)4 of 11 Sep 1958. Independence was, however, only approved in Feb 1960: PRO C.C.10(60)4 of 18 Feb 1960. See also the Loynes initiatives on Nigerian central banking, ch. 9.
52. Kenya's Constitutional Conference got under way early in 1960. See PRO C.C.2(60)2, and PRO C.C.3(60)5, of 18 Jan 1960, PRO C.C.7(60)1 of 11 Feb 1960 and many more in the following months. Uganda was planned to come after Tanganyika but earlier than the final arrangements for Kenya. See PRO C.C.10(60)5 of 18 Feb 1960. In British Guiana, Britain hesitated because of local problems: PRO C.C.15(60)7 of 6 Mar 1960. But under conditions she then agreed to self-government to be scheduled for Aug 1961: PRO C.C.21(60)5 of 29 Mar 1960. For Sierra Leone, too, the Colonial Policy Committee recommended that this territory should become independent towards the end of 1961, depending on financial and defence agreements: PRO C.C.25(60)3 of 11 Apr 1960. Similarly, defence requirements were set for West Indian independence from Britain and the United States: PRO C.C.57(60)2 of 8 Nov 1960. Meanwhile, the constitutional future of so-called smaller territories continued to be discussed: PRO C.C.57(60)8 of 8 Nov 1960.
 53. For these approaches, see ch. 1.
 54. For this context, see Baylis, *Anglo-American Defence Relations*, chs. 3 and 4.
 55. The evidence provided by Horowitz, 'Attitudes of British Conservatives Towards Decolonization', confirms this assessment. See also Murphy, *Party Politics*.
 56. In this respect the present interpretation is consistent with Darwin, *Britain and Decolonisation*, p. 202.
 57. Horowitz, 'Attitudes'.
 58. The classic study of African nationalism was written prior to the event and published in 1956: Hodgkin, *Nationalism in Colonial Africa*. The nationalism explanation falls into a variety of sub-categories. An early view that attributes the end of colonial rule to the diffusion of national ideas in the colonial world is Emerson, *Empire to Nation*; also Strachey, *The End of Empire*; contemporary case studies include Coleman, *Nigeria*; Kilson, 'Nationalism'. Hargreaves, *Decolonization in Africa*, emphasizes a controlled transfer of power to responsible nationalist leaders. The socio-economic aspects of mass mobilization in relations to strikes and protest actions figures more prominently in interpretations of the French case: for example, Coquery-Vidrovitch, 'Emeutes urbaines, grèves générales et décolonisation en Afrique française'; also *idem*, *Afrique noire*; and M'Bokolo, 'Forces sociales et idéologies dans la décolonisation de l'A.E.F.'; cf. also Kahler, *Decolonization*.
 59. A number of colonial administrators quit their service for Britain in the early 1960s and became administrators for the newly independent governments. Nationalists in Tanganyika (Tanzania), similar to settler representatives in Kenya, in the late 1950s still expected independence not to be granted for about another twenty years. See Iliffe, *A Modern History of Tanganyika*, pp. 562–6. For Nigeria, compare O'Connell, 'The Political Class', p. 377.
 60. See, Tignor, *Capitalism and Nationalism*; For case studies of the relationship between British business and nationalists, see White, *Business, idem*, 'British Business'; and S.E. Stockwell, 'Political Strategies and British Business'; compare also Kahler, 'Political Regimes'.
 61. This is a popular view as well as one advanced by historians, though the definition of 'crisis' varies. See, for example, Robinson, 'Non-European Foundations of European Imperialism'; also Holland, *European Decolonization*. A somewhat similar view seems to underpin Low, *Eclipse of Empire*.

62. However, these issues were debated: See Memorandum by the Secretary of State for the Colonies for the Cabinet, PRO C.M.(51)26. The Prime Minister also expressed concerns about military costs in Malaya: see Cabinet Conclusion of 8 Nov 1951, PRO C.C.5(51)3. For histories of colonial emergencies in their own right, see *JICH*, special issue, 3 (1993). Detailed recent research also questions some traditional views on the prowess of insurgents in Malaya: see the review by Hack, 'The Malayan Emergency'; Stockwell, "'A Widespread and Long-Concocted Plot'", argues that the British did not believe in a Communist conspiracy.
63. See chs. 4 and 5.
64. See Kennedy, *The Rise and Fall*; *idem*, 'Strategy'; Martel, 'The Meaning of Power'; Northedge, *Descent*; from among surveys of international history Calvo-coessi, *World Politics*. In histories of the British empire, the Second World War is often seen as the watershed. See, for example, Crowder, 'The Second World War: Prelude to Decolonization in Africa'. But such a view is rightly disputed, for example, by Holland, *European Decolonization*. Extreme examples that advocate imperial decline even before the Second World War are Beloff, *Britain's Liberal Empire*, p. 361; and Hyam, *Britain's Imperial Century*, p. 377. Gallagher, *The Decline*, discerns a brief revival for strategic reasons after the Second World War. General publications on Britain's decline usually subsume the loss of empire in their lament. See, for example, Allen, *The British Disease*; Gamble, *Britain in Decline*; Warwick, 'Did Britain Change?'. A more refined analysis of Britain's overall 'decline' is Anderson, 'The Figures of Descent'. For a criticism of explanations of British economic decline and empire, see Tomlinson, 'The Contraction of England'.
65. This is the traditional view of diplomatic historians, often expressed in textbooks on international relations and international history. A typical example is Grimal, *Decolonization*; also Ansprenger, *Dissolution*.
66. 'Cabinet. Committee on Commonwealth Prime Ministers Meeting. Anti-"Colonialism"'. Note by the Colonial Office. GEN.518/6/14', 14 Jun 1956, PRO CAB 130/113. For the wider context, see Luard, *A History of the United Nations*.
67. 14 Dec 1960: *United Nations Declaration on the Independence of Colonial Countries*, 1514 (XV).
68. Howe, *Anticolonialism*.
69. Political historians often capture the thrust of imperial policy without grasping its underpinnings. See, for example, Goldsworthy: 'Keeping Change Within Bounds'.
70. See Cowen and Shenton, 'The Origin and Course of Fabian Colonialism'.
71. See the concessions to Lancashire cotton manufacturers with regard to handling competition from Hong Kong: PRO C.M.2(55)5 of 12 Apr 1955, C.M. 8(56)10 of 31 Jan 1956, C.C. 20(57)4 of 14 Mar 1957, C.C. 60(57)7 of 23 Jul 1957, C.C. 53(58)5 of 10 Jul 1958, and C.C. 83(58)7, C.C. 84(58)8, C.C. 86(58)6 of 4 Dec 1958.
72. See Louis and Robinson, 'Liquidation of Empire'; and Louis, 'Anti-Colonialism'.
73. Horowitz argues that this was still the case in the late 1950s: 'Attitudes'.
74. Colonial Office Meeting, 'Colonies and European Economic Development', 30 Jun 1959, PRO CO 852/1734.

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- C 40 Chief Cashiers Files: Policy
- EID 3 Balance of Payments Estimates
- OV 7 Currency Boards and Currency Commissions
- OV 44 Sterling and Sterling Area Policy
- OV 65 Country Files: Malaya, Singapore and Borneo Territories
- OV 68 Country Files: Nigeria
- OV 69 Country Files: Gold Coast/Ghana
- OV 74 Country Files: Kenya
- OV 78 Country Files: East Africa

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