Chapter V

ECONOMIC DEVELOPMENT POLICY

"... political development is not the whole story. It is necessary for political health that a territory should enjoy a reasonable level of prosperity and a reasonable general standard of living. When we assumed responsibility for them, many of the British Colonial territories, particularly those in Africa, were at a very low level of economic development, far lower than is necessary to support the structure of a progressive modern State. We have set ourselves, in collaboration with local leaders, to broaden and strengthen the economic basis of colonial societies."

- Alan Lennox-Boyd, U.K. Secretary of State for the Colonies, in a BBC broadcast, April 1956

The central purpose of British colonial policy as stated and restated by successive Governments was "to guide colonial territories to responsible self-government...within the Commonwealth" and "to pursue the parallel economic and social development of the territories in order to ensure that this keeps pace with political development, since without social stability and a sound based economy", Henry Hopkinson said, "self-government can very easily become a snare and a delusion." It was typical of a Conservative that Hopkinson should later emphasise during a debate in the Commons on 21 June 1955 that "political

1 Henry Hopkinson, Minister of State for Colonial Affairs' speech at the Fourth Committee of United Nations General Assembly on 21 October 1952.
advancement, without an expanding economic and social advance, is Dead Sea fruit, and that, equally, the purpose of political advancement can be thwarted or distorted by oppression from whatever quarter it may appear. To raise their standard was, therefore, an urgent necessity; but, in the Conservative view, it was only through economic development that the means would be forthcoming to expand social services, to improve the general lot of colonial peoples, and to enable colonies to be financially independent.

Growth of Policy

The old doctrine of colonial self-sufficiency had required every colony to develop its own resources, without any outside assistance. British policy, then, was to maintain law and order, to control abuses, create a sound administration and supply essential public works such as roads etc. As a result of this, they could do little for health and educational services, and even less in developing the economic resources of the territory. Economic policy, in those days, was "based on free access by all nations to raw materials, free markets and non-discrimination, all without regard for the interests of the"
indigenous people. "There was little regulation or control of economic development." But public opinion was changing in the latter part of the 1930s as it became apparent that aid from outside would be essential to any scheme of full development.

The statement of policy on Colonial Development and Welfare, published as a White Paper in 1940, outlined that His Majesty's Government were trustees for the well-being of the peoples of the Colonial Empire. The primary aim of colonial policy was to protect and advance the interests of the inhabitants of the colonies. The statement further said that much had already been accomplished, but there was room for further active development of the natural resources of the various territories so as to provide their people with improved standards of life. Some of the colonies could make, and had made, a great progress in strengthening their economic positions without recourse to outside help. Nevertheless, if full and balanced development was to be obtained and if Colonial Government were to be placed in a position to maintain administrative, technical and social services at proper standards, some assistance from outside was necessary at this stage. The first

emphasis in this much enlarged policy of Colonial development, the statement added, would be on the improvement of the economic position of the colonies. That was thought to be the primary requirement, upon which advance in other directions was largely consequential. It was by economic development that the colonies would be placed in a position to devote their resources to the maximum extent possible, to the provision of those Government and other services which the interests of their people demanded. Assistance from the United Kingdom funds should be effectively related to what the colonies could do for themselves. From London there would be assistance and guidance, but no spirit of dictation. The new policy of development would involve no derogation from the rights and privileges of local legislatures, upon whom rested a large measure of responsibility for the improvement of conditions in their several territories.

However, the first step to provide regular funds for the development of the colonial territories over a period of years had been taken with the Colonial Development Act, 1929 which set up a fund of £1 million a year with the dual purpose of relieving the economic depression in the United Kingdom and stimulating agricultural and industrial activity in the colonial territories. Expenditure during the eleven years up to 1940 totalled £8.8 million. But, though the Act made a valuable start, it had drawbacks. The funds were inadequate. The emphasis was on capital works of an economic nature and there
was difficulty in making grants for recurrent charges; and important fields of social development, notably education, were excluded from its terms.

A new Act which superseded that of 1929 was, therefore, passed in 1940. It provided £5 million a year, plus £500,000 a year for research, for the ten year period 1941-51, and at the same time cancelled loans owing to His Majesty's Government to the amount of £10 million. It enlarged the scope of assistance to include "any purpose likely to promote the development of the resources of any Colony and the welfare of its peoples"; thus covering all the social services and enabling help to be given towards meeting recurrent charges. One of the objects of the Act was to provide money to carry out the recommendations of the West Indian Royal Commission (Cmd. 6174) and much of the expenditure was devoted to West Indian projects. War-time difficulties inevitably prevented the Act from having its full effect. Also, under its term any money unspent at the end of one year lapsed and could not be carried forward. This had meant the loss of much of the benefit of the Act in the war years, and, as expenditure rose, was leading to a serious problems in planning ahead. It was extremely difficult to fit long-term projects into a tight annual budget, and the temptation was to plan hurriedly from year to year.

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By the end of the war it was seen that more money and a new approach to planning was required. The war years had naturally distorted the normal economy of the colonies. "The main effects", in the words of Hilton Poynton, Joint Deputy Under-Secretary of State for the Colonies, "were to stimulate an unprecedented demand for many of the raw materials produced in the colonies, including foodstuffs, and to provide a somewhat artificial protection to their economy in that many of their normal competitions were removed from the field by military or economic causes. For these two reasons, the colonies prospered during the war, but, on the other hand, they were affected like everyone else by shortages of materials and manpower. They could not turn their attention to any development works, except those dictated by the necessity of making their maximum contribution to the prosecution of the war."

The Colonial Development and Welfare Act, 1945, therefore, met both needs - more money and new approach to planning. It provided £120 million for the ten years 1946-56, including £20 million carried forward in commitments under the 1940 Act. It also overcame the planning difficulties by allowing the money to be drawn upon at any time within the period subject to a ceiling of £17.5 million a year. Of this, an amount up to £1

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million a year which was permitted to run beyond the statutory limit of the 31st March 1956, could be devoted to research and expenditure on research schemes. The purpose underlying the 1945 Act was described in a circular despatch of 12 November 1945, from the Secretary of State to Colonial Governments:

"This increase in the total sum to be provided and the lengthening of the period of such assistance by a further five years mark an important turning point in the development of Colonial productive resources and improvement of human well-being. It comes at a time when a gradual easing of the war-time shortages of materials, equipment and skilled technical and scientific personnel may be hoped for. There are great possibilities in the years that lie ahead for raising the standards of health, education, social welfare, and general well-being of Colonial peoples if these expanded services are based upon improved economic efficiency and increased production. The primary requisite still is an improvement of the economic position in the Colonial Dependencies, the utilization of their natural resources to the greatest extent possible and the widening of opportunity for human enterprise and endeavour."

8 Cmd. 9375/1955, p. 5.

The Conservative Approach

"The colonies", The Times said, "mean more to a Conservative Government...than a field for good business - indispensable though sound economic development undoubtedly is for any other development in the colonies." "There is", it said, "a rich harvest to be gleaned for colonies and the Mother Country alike from good husbandry in the overseas territories." But Lyttelton was not unmindful of the possibilities when, in winding up the debate on the Queen's address, he said: "I do not think there is any field in which expansion can be more readily made, and where it will have wider effect upon our economy - or rather upon the economy of the sterling area as a whole - than a development and expansion of the production and trade of the colonial territories." Also, the appointment of Oliver Lyttelton as Colonial Secretary had shown that economic development in the colonies were held by the new Conservative Government of sufficient moment to demand the whole-time attention of a Minister of the first rank.

Speaking in the Committee of the Commons on colonial

10 The Times, 3 November 1951.
11 493 H.C. Deb. 5s. col. 472, 8 November 1951, Lyttelton.
12 The Times, 3 November 1951. Hitherto, the job of economic development was being delegated to one of the subordinate Ministers at the Colonial Office.
affairs on 17 July 1952 Lyttelton said, he believed in "an imaginative and bold policy of colonial development" to take full advantage of the economic situation. This, he hoped, would not only bring the possibility of much greater social services, health and prosperity to the territories but might do much to re-adjust the economic balance between the Old World and the New. The demand for primary products, above all of food, appeared likely to be insistent during the life-time of the youngest Members of the House. According to the Paley Report, the United States production, he said, was expected to double by 1975 and this would require a great increase of imports of raw materials; and the world-wide pressure of population on the land should also ensure the maintenance of prices for agricultural produce. He told the Committee that he ordered two studies soon after his appointment: the first was to make an assessment of the contribution of the colonial territories to world shortages in the short-term, and the second was an assessment of the possible capital demand over a short period. The object of the first study was to try to concentrate development on producing those commodities which would find the readiest market. The study was completed in November 1951. Briefly, it stated that there was some prospect of increasing supplies in the short-term of copper, cotton, manganese, petroleum, pyrites,
sugar, timber, vegetable oil and oil seeds, in all nine commodities. At medium or long-term, the commodities were aluminium, iron ore, lead and zinc, tungsten, pulping materials, hides and skins, bananas, tea and tobacco - ten other commodities. The concentration on the expansion of these commodities, Lyttelton said, did not mean that they must not push on with the production of many of the existing crops, such as rubber. It meant that here were commodities upon which a large part of colonial development must be concentrated, if they were to get results quickly. He said the policy which was being pursued by Her Majesty's Government was to try to push on with the expanded production of the nine commodities first listed. This involved also improving transport facilities to carry the increased production and, above all, increasing the technical and advisory services. While casting no reflection on Labour's policy he pointed out that, if part of the money which had been spent on trying to grow groundnuts, where they were difficult to grow, had been spent on transport in an area where they could be grown, the situation would have been very much better. He acknowledged the fact that there was much evidence in West Africa, at any rate, that too much attention was being paid to the cash and export commodities and not enough to the subsistence

14 Ibid., col. 2366, 17 July 1952, Lyttelton. The reference was made to the state of confusion which he found, when he took office, in the railway system of Nigeria.
crops upon which the population depended. He informed the Committee that the Government had had in mind the necessity of growing food for the people who were to be transferred from food growing into the extracting industries.

The other study of capital needs for colonial development in the short-term was much more of guess work. He told the Committee that over the next three years, the shortages of capital would not be predominant factors in colonial development. There were shortages, but they were manageable. What was really happening was that the money could not be spent quickly enough owing to the tight supplies of steel and delays in imported machinery, the shortage of skilled labour and the very indifferent organisation of the local resources. The plain fact, he said, was that many of these economies could not absorb very large sums of capital for internal development in the short run. Nevertheless, over the next decade it seemed to the Colonial Secretary to be axiomatic that Britain would not have enough capital to develop the colonial territories at the rate which she should desire. Lyttelton said: "I do not

15 Ibid., cols. 2365-7, 17 July 1952, Lyttelton.

16 The point was made clear in one of the official publications: "...one of the problems is to encourage the foreign private investor to hope that he will be allowed to receive his fair share of the fruits: otherwise he will not provide the money and it is doubtful if Governments can supply all that is needed even if it is desirable that they should do so." Economic Development in the United Kingdom Dependencies (C.O.I. London, 1953). Abstract given in East Africa and Rhodesia, vol. 30, no. 1611, 24 September 1953, p. 71.
know of any means...of how one can invest deficits in promoting development in under-developed countries. The deficits exist today. I hope they are short-term, and I hope we shall have surpluses, but nevertheless, I think it is impossible to believe that our surpluses will be enough to invest in those countries at a rate which we all desire to see." It seemed, therefore, to the Colonial Secretary "a sensible policy to try to bring in foreign capital and, above all, loan capital", provided that in doing so, Britain did not sell the birthright of the colonial peoples to other nations. This, he hoped, would accelerate development by pursuing a traditional and almost a classical economic policy of trying to get the surpluses of the creditor countries invested in the development of undeveloped countries, who were the debtors.

Capital, therefore, was the most difficult problem, but it was not the most immediate. Lyttelton pointed out that the Labour Government between 1945 and 1950 had to handle colonial and economic affairs during a period of boom and of insistent

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17 503 H.C. Deb. 5s. cols. 2367-8, 17 July 1952, Lyttelton.

18 Ibid., col. 2368, 17 July 1952, Lyttelton. Speaking to the Insurance Institute of London on 15 December 1952, Lyttelton said that up-to-date development in the colonial territories had not been checked by lack of finance, but he considered this era was over now. He said: "I make no bones about it, if we want more capital, may be Canadian capital, but we must have more for this development." Daily Telegraph, 16 December 1952.
demand for most of the products, but they found themselves hampered by the fact that many of the primary facilities were inadequate to the great new economic impetus which these unforeseeable events had brought in their train and his Government were not free at all from these embarrassments. He said he was surprised to find from the study of the capital needs that during the six or seven years after the war colonial development, on the whole, had not been held up by lack of capital. Part of the reason why shortage of capital did not impede colonial development, he said, was because of long delivery dates, and the money could not be spent. This became a feature of Britain's post-war economy.

**Agriculture and Secondary Industries**

The economics of colonial territories were based upon agriculture and particularly on the growth of export crops. Particular crops were associated with different regions - e.g., sugar with the West Indies, Mauritius and Fiji; cotton and coffee with Uganda and other East African territories; cloves with Zanzibar, and so forth. It was hardly then surprising that in the circumstances the economic life of territories should have become tied up with the export products grown

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19 517 H.C. Deb. 5s. col. 2267, 16 July 1953, Lyttelton.
20 Ibid., col. 2279, 16 July 1953, Lyttelton.
21

Most of the territories, however, could not produce enough of the basic foods for their own needs. Wheat and flour had to be brought into the West Indies, rice to Malaya, bacon, butter, eggs and cheese to many other colonies. The fact was acknowledged by Eastword, Assistant Under-Secretary of State for the Colonies, while delivering the Henry Morley Lecture at the Royal Society of Arts, London in January 1952. He said, while there was outward trade in tropical products, dictated by their geographical location and climate, such as sugar, cocoa, coffee and vegetable oils, almost all the colonies lacked then sufficient food for a full diet, and their people were poorly fed. Much of the scientific effort, stimulated and directed from Britain, was then devoted to plant improvement, soil analysis and regeneration, and counter attack upon the insect pests which batten on colonial crops. Some of these efforts were naturally concentrated upon improving the single cash crop upon which a particular territory depended, to breeding better sugar canes for the West Indies or to eradicating swollen shoot diseases from the cocoa trees of the Gold Coast, but much of it also was constantly directed to

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22 The Times, 11 January 1952.
improving and increasing the local production of foodstuffs for local consumption.

While agriculture remained the prime source of wealth in the colonial territories, Lyttelton said, mineral development and the extracting industries would have to be developed side by side with it. Secondary industries should be encouraged if they were natural and healthy, but they ought not to be artificially forced, and, above all, those which served primary production should be helped. The problem of agriculture was one of low fertility, wasteful rotation, and it was a fact that mixed farming in most parts of the Colonial Empire was in its infancy. He, therefore, observed that the possibilities in agriculture in the colonial territories were almost limitless. But in this, he said, they must rely on the peasants. There must be emphasis all through on the peasant farmer, the peasant proprietor - the central figure of the agricultural economy, and there was, he assured, no intention of displacing him. Thus, referring to the possibilities of agriculture in the colonial territories in the Commons on 17 July 1952, Lyttelton said:

The peasant farmer is the man we must concentrate on trying to help in all ways we can - giving him advice, technical knowledge; hiring machines; and

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23 Ibid., Editorial.
24 503 H.C. Deb. 5s. cols. 2368-9, 17 July 1952, Lyttelton.
spending for him a little capital to enable him to get the greatest return from his labour. One exception to this rule is cattle ranching, which requires large sums of capital, but the opportunities of plantation industries under a joint stock system are much more limited than the possibilities of peasant agriculture. This is the policy on which at the present moment we are concentrating. 25

Referring to the point made by James Griffiths on the Kenya land problem in the Commons Lyttelton said the task entailed there (Kenya) nothing less than the transformation of outlook and methods of the African farmer. It involved the difficult subjects of soil conservation and water conservation, and a large expansion of the agricultural and veterinary staffs. The solution of Kenya land problem did not lie in the perpetuation of tribal systems of agriculture, but in concentrating on trying to improve methods and that alienation of White Highlands to Africans would not make any notable contribution.

Co-operatives were one method of improving farming and as such they had been recognised by the Conservatives, but it was not a universal panacea, nor was it altogether easy to


26 Ibid., cols. 2377–8, 17 July 1952, Lyttelton. In his brilliant despatch, Sir Philip Michell, Governor of Kenya, at the end of his governorship, set out the economic problems of Kenya's peasant farming, showing it as part of that world problem in which, quoting Professor Robb, "poor soil makes poor people and poor people make poor soil worse." Soon after this dispatch the Mau Mau storm broke to reveal, as under a flash of lightening, the depth of perilous frustration which could be bred in a tribe by an unhealthy economy and the use which evil leadership could make of it. Margery Perham, "The Royal Commission on East Africa", The Listener, vol. LIV, no. 1381, 18 August 1955, p. 240.
bring in on a large scale. Speaking in the Commons on 7 November 1952, on the possibilities of co-operatives in Agriculture, John Foster, Under-Secretary of State for Commonwealth Relations, said that it had an important part to play, obviously, but group farming, which involved a change in the nature of the tilling of the soil, was very alien to the African tribal customs. It would also mean a very radical change in their tribal habits, and therefore, as in other things, one had to move carefully. This view was supported by David Blelloch who pointed out the danger involved "in a rash interference with traditional native methods of cultivation, evolved through many centuries of experience." He said native methods could usually be improved upon, but "real improvement is most likely if native wisdom and experience are brought to bear on the patient working out of appropriate techniques."

27 507 H.C. Deb. 5s. col. 547, 7 November 1952, John Foster.
28 Ibid., col. 547, 7 November 1952, John Foster.
Professor Dudley Stamp makes the same point:
"I consider it of fundamental importance that we study intensively all native systems of cultivation before we condemn them. There is often an element of knowledge in local practice that might well be adopted to modern systems for developing the under-developed lands. Native 'superstition' gave the world both quinine and cocaine. There is often even a hidden meaning behind native superstitions."
To the African nothing was more precious than land, yet nothing was more often wasted. Lyttelton said: "We must promote the fertility of the soil, to try to bring it up to the fertility of man, to increase the area under cultivation and to improve the efficiency of the farming of land already under the plough or already being grazed by livestock." Writing in the District Bank Review of September, Prof. W. A. Lewis said whereas the main agricultural task of the nineteenth century was to cultivate the uncultivated, the main agricultural task of the second half of the twentieth century was to cultivate better that which was already cultivated. He further said, applying the knowledge that they then had, the world's agricultural output could be increased by 50 per cent or more, simply by using better seeds, fertilisers and pesticides, and by making more water available to farmers. What was difficult was not technical but the social problem, and especially the educational problem, of teaching the small farmers to adopt new agricultural technique. Lyttelton had appreciated this and

30 617 H.C. Deb. 5s. cols. 2274-5, 16 July 1953, Lyttelton. More than 80 per cent of the population of the British colonial territories was in Africa.


32 Ibid., p. 98.
emphasised that in these matters they must "concentrate first on the promotion of peasant agriculture and of teaching the African population how to make better and better use of their land." That was not to say that there was not a place for the plantation industries of rubber, sugar, sisal etc. But in the main it was the promotion of peasant agriculture which, he said, should engage their greatest energies.

**Industrial Development**

For various reasons, including the shortage of fuel and power, ferrous metals and skilled labour, the Conservative Government felt that the colonial territories did not then possess the comparative advantages that would enable them with profit to develop heavy industry on any sizeable scale. Also, it was a fact that industrial development would not make much headway until certain public utilities and key items of capital equipment had been provided. Railways, roads and ports were needed to move goods to and from market; education and health services were needed to produce skilled workers and to keep them well; tools and machinery had to be provided and buildings erected in which they could be housed; and sources of power had

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33 517 H.C. Deb. 5s. col. 2276, 16 July 1953, Lyttelton.

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to be developed so that the machines could work.

In his speech in a Committee of the General Assembly of
the United Nations, on 17 October 1955, the United Kingdom
delegate, Sir Alec Randall, stressed the extent to which
effective use of finance for development depended on technical
expertise of various kinds. "In many countries", he said,
"there is still a great deal to be done before finance can be
absorbed on a large scale and to the best advantage. Capital
investment these days more often than not carries with it the
necessity both for a very high standard of technical training
and for training on a large scale. ...Moreover it is most
significant...that in a recent debate on Colonial Development
and Welfare in the House of Commons, it emerged quite clearly
that the real problem did not lie in financing at all. The
real problem lay on the contrary in the lack of technicians.
What the Colonies required in fact was not pounds sterling but

35 Industrial Development in the United Kingdom Dependencies

36 The debate on the second reading of the CD&W Bill on
2 February 1955 (536 H.C. Deb. 5s. cols. 1116-1228). Introducing the Bill, Lennox-Boyd said that, while
in Nigeria, he had seen not only the value but many
of the difficulties of development and welfare work.
"By far the greatest is the grave and in some cases
terrifying shortage of trained people to see that the
money is properly spent. Nobody in this House who
follows these matters closely will ever think we have
discharged our obligations if we merely vote money.
The task of finding people to carry out the work is
equally important." Col. 1123.
What was being done in this regard in the colonial territories was explained by the Governor of Kenya, Sir Evelyn Baring, who wrote in February 1956: "Africans must be encouraged to take the greatest possible part in industry and commerce. The Government has already sponsored African trading and training schemes in Nyanza and is, with the help from the United States International Cooperation Administration, extending those to the other parts of the Colony. ...As far as Kenya is concerned, industrial policy is always referred to the Board of Commerce and Industry, on which sit two African members (who at present are both members of the Legislative Council)....

To ensure full opportunities for Africans there are not only training schemes within the industry but trade and technical schools...."

The British policy, in general, was very much in conformity with the principles expressed in a report on the subject by the Secretary General of the United Nations "that industrialisation is not an end in itself but that the ultimate if not..."

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38 Cmd. 9801/1956, Dispatches from the Governors of Kenya, Uganda and Tanganyika and from the Administrator, East Africa High Commission, etc., p. 36; For details see C.O.I. Pamphlets R.F.P. 3317 of December 1956, Labour in the United Kingdom Dependencies and R.F.P. 2605 of September 1954, Education in the United Kingdom Dependencies.
the immediate aim of economic development, and therefore, of industrialisation, is the raising of average levels of living," and that "individual freedom of economic decision is an important element in human welfare." The Secretary-General's Report, which was supported by the United Kingdom delegate in discussion in the Economic and Social Council, went on to emphasise that, "in the circumstances prevailing in the under-developed areas, the raising of average levels of living is less a matter of effecting large increases in the incomes of a small minority in the community than of ensuring a steady, if smaller, increase in incomes of the majority. In most of the less developed countries this majority is large and rural, working at agricultural tasks in which its marginal productivity is extremely low. In such countries the raising of average productivity is the prime task of economic development. Initially and to a large extent this must be undertaken in the agricultural sector itself. In many cases, however, the diversion of under-employed rural labour to other occupations is an urgent requirement for development. Even when its productivity in the new tasks is lower than that normally found in comparable tasks in the more advanced countries, it is likely to be, or in a comparatively short time to become, appreciably higher than it was in

agriculture. In such circumstances secondary industry becomes an important means of development. It should be borne in mind, however, that the whole social and economic organization of an under-developed country has, in the course of time, become adjusted to the low efficiency of its factors of production. Hence any attempt to speed up the process of industrialisation must be multi-pronged, affecting, to a greater or lesser extent, each element of the country's social and economic life, its administration and its relations with other countries. " The Report warned that "in most of the less developed countries, to accelerate the rate of industrial development is by no means a simple matter. To assume that it is would be a disservice to all countries in which strenuous efforts have been and are being made simultaneously to maintain or improve standards of living, to retain in the hands of the individual as much freedom to make economic choices and decisions as is consistent with the wider social good, and to accelerate the rate of investment not only in the manufacturing sector but also in the other sectors -- agriculture, power and transport and export activities, in particular -- upon whose balanced growth integrated economic development depends." 

During a debate in the Commons, Lyttelton also emphasised

40 Ibid., pp. 1-2.

41 517 H.C. Deb. 5s., col. 2271, 16 July 1953, Lyttelton. Lyttelton said: "These matters are all inter-related and cannot be placed in any strict order of priority, but we must classify them somehow."
the importance of these sectors when he outlined the problems then facing the Conservative Government in order of their priorities, i.e., first, communications -- railways, harbours and roads; second, agriculture; third, the exploration and winning of minerals; fourth, the expansion of electrical power, particularly of hydro-electric power; fifth, the promotion of local industries; sixth, scientific research and development covering all these spheres.

Recalling the Secretary General's Report, Sir Alec Randall, in his speech on 17 October 1955, before a Committee of the United Nations General Assembly, expressed disagreement with the views of some of the delegates from the Communist countries who, he said, tended to put forward industrialisation as an end in itself. "It is at least arguable", he said, "that in certain circumstances, so far from promoting the economic and social advancement of the population at large, too rapid industrialization could have precisely the opposite effect. Even our own industrial development, I will frankly admit, provides a warning against undue haste in this matter."

Thus, it had been the policy of the Conservative Government and Colonial Governments to promote industrial enterprises, not as something to be supported uncritically on a prior grounds,

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but to the extent to which they were likely to be economically viable in the long run.

During the Conservative administration, the tendency was to develop manufacturing industries in three broad categories. The first category was concerned with processing local primary products, either for home consumption or in order to bring them, prior to export, a stage nearer the final form in which they would be used. In this category fell mineral processing, palm oil extraction, the ginning of cotton in Uganda, processing of sugar cane in the West Indies and Mauritius, the oil refinery industries in Sarawak and Trinidad, the Brooke Bond Tea factories in East Africa, plywood mill at Sapele in Nigeria etc. In the second category came industries producing consumer goods such as soap, furniture, buttons, cigarettes, matches, rubber footwear and (in East Africa) canned meat and canned fruit and fruit juices (in Malaya, the West Indies and East Africa). In some of these, export trade had been built up. In Malaya, a factory had been built to make margarine, edible oil, soap and glycerine from local vegetable oils. In Uganda, the provision of power from Owen Falls had speeded up industrial activity, and this had included the establishment of the world's most modern textile factory at Jinda. In Kenya the first margarine

43 Ibid., p. 19.

44 The great power station at Owen Falls on the Nile in Uganda was intended to become the centre of an industrial (footnote contd....)
factory in East Africa was opened in 1955 and a £1 million tobacco factory in Nairobi, where numerous light industries were developing in 1956. Mostly, such development was based on locally available raw materials. But this was not always the case -- for example, there was growing garment industry in Jamaica, and aluminium hollow-ware was produced there and in Tanganyika. Also, in this category came food and drink industries whose products were normally made where they were consumed, and peasant industries such as embroidery, handloom weaving, basket-work and leather-working. The third category of industries was concerned with providing building materials, of which cement had special importance for general economic development.

During a debate in the Commons Lyttelton had emphasised that Colonial Governments should first concentrate "on those

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activity comprising not only ginning and textile factories and smelting of mineral ores, but a large scale iron and steel industry. Most ambitious of all was the gigantic hydro-electric project on the Volta River in the Gold Coast. The immediate purpose of this was the smelting of aluminium from the colony's bauxite deposits. But eventually it was to become the centre of an important industrial region justifying the development of many secondary industries, including those making use of aluminium.


46 517 H.C. Deb. 5s. col. 2278, 16 July 1953, Lyttelton.
(local industries) which serve agriculture or make products for local markets such as manufacture of hand tools for farmers or the simple fertilizers like superphosphates. Cement was also important, he said, which was then highly promising industry in colonial territories. But perhaps the most direct method of assisting industrialisation was through Industrial Development Corporations which operated with advances from Government. These were then over 20 varying in structure according to local needs.

**Marketing and Trade**

Production alone was only half the battle. Having been produced it must be sold. Most of the colonial territories were producers of primary products. The types of commodities, exported in 1958 from the African colonies to the United Kingdom and the European Economic Community (EEC), is given below:

**British Africa: Principal Commodities Exported 1958**

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>% of total exports</th>
<th>% exported to U.K.</th>
<th>% exported to EEC</th>
<th>UK &amp; EEC combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gambia</td>
<td>Groundnuts</td>
<td>90</td>
<td>17</td>
<td>77</td>
<td>94</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>Cocoa</td>
<td>66</td>
<td>27</td>
<td>40</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>Hardwoods</td>
<td>11</td>
<td>38</td>
<td>42</td>
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</tr>
<tr>
<td>Nigeria</td>
<td>Palm products</td>
<td>25</td>
<td>71</td>
<td>24</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>Groundnuts</td>
<td>20</td>
<td>36</td>
<td>46</td>
<td>82</td>
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<tr>
<td></td>
<td>Cocoa</td>
<td>20</td>
<td>53</td>
<td>26</td>
<td>79</td>
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<td></td>
<td>Hardwoods</td>
<td>5</td>
<td>42</td>
<td>35</td>
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</tr>
<tr>
<td>Sierra Leone</td>
<td>Palm Kernels</td>
<td>12½</td>
<td>74</td>
<td>24</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Iron Ore</td>
<td>27</td>
<td>50</td>
<td>44</td>
<td>94</td>
</tr>
<tr>
<td></td>
<td>Diamonds</td>
<td>43</td>
<td>100</td>
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<td>100</td>
</tr>
<tr>
<td>Kenya</td>
<td>Coffee</td>
<td>36</td>
<td>15</td>
<td>58</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Sisal</td>
<td>8</td>
<td>23</td>
<td>36</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Tea</td>
<td>11</td>
<td>64</td>
<td>2</td>
<td>66</td>
</tr>
<tr>
<td>Tanganyika</td>
<td>Coffee</td>
<td>18</td>
<td>36</td>
<td>26</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Sisal</td>
<td>25</td>
<td>32</td>
<td>31</td>
<td>63</td>
</tr>
<tr>
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<td>Cotton</td>
<td>17</td>
<td>6</td>
<td>42</td>
<td>48</td>
</tr>
<tr>
<td>Uganda</td>
<td>Coffee</td>
<td>46</td>
<td>23</td>
<td>9</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Cotton</td>
<td>40</td>
<td>7</td>
<td>38</td>
<td>45</td>
</tr>
<tr>
<td>Federation of</td>
<td>Tobacco</td>
<td>22</td>
<td>64</td>
<td>11</td>
<td>75</td>
</tr>
<tr>
<td>Rhodesia &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nyasaland</td>
<td>Copper</td>
<td>53</td>
<td>52</td>
<td>17</td>
<td>69</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Sugar</td>
<td>96</td>
<td>84</td>
<td>--</td>
<td>84</td>
</tr>
</tbody>
</table>

In general, the policy of Conservative Government was aimed at an expansion of world trading, at multilateralism, and adherence to the General Agreement on Trade and Tariffs (GATT), and with no restrictions or discrimination in trade. And the effect was that the colonial economies were exposed to the full blast of world price fluctuations in primary products which these territories produced.

When the Conservatives came to power in 1951, one of their 49 H. L. Deb. 5s. cols. 477-8, 24 February 1955, Lord Balfour of Inchrye.
declared objectives was to dismantle the Labour's system of state trading and restore the private trading as far as possible, except where long-term guarantees to colonial territories necessitated other means. The new policy was defined, in 1954, in the House of Commons as "to restore the trade in foodstuffs to private enterprise." It was also stated that "where such (bulk purchase) arrangements have been brought to an end before the end of the contractual period, it has been with the full agreement and co-operation of the Governments concerned."

Before the Conservatives could bring to an end the contracts of bulk purchase, the position then was:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Territory</th>
<th>Expiration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacon</td>
<td>Kenya</td>
<td>31.12.54</td>
</tr>
<tr>
<td>Coffee</td>
<td>Jamaica</td>
<td>31.8.54</td>
</tr>
<tr>
<td></td>
<td>Uganda, Kenya, Tanganyika</td>
<td>30.6.54</td>
</tr>
<tr>
<td></td>
<td>Gold Coast</td>
<td>31.7.54</td>
</tr>
<tr>
<td>Copra and Coconut oil</td>
<td>Fiji, Papua and New Guinea, Tonga, Solomon Islands, Gilbert and Ellice Islands</td>
<td>31.12.57</td>
</tr>
<tr>
<td>Palm Kernels</td>
<td>Gold Coast, the Gambia</td>
<td>31.12.55</td>
</tr>
<tr>
<td>Palm Kernels and Palm Oil</td>
<td>Nigeria, Sierra Leone</td>
<td>31.12.55</td>
</tr>
</tbody>
</table>

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50  S22 H.C. Deb. 5s. cols. 1270-1, 2 June 1954, Oral Answer, Dr Hill, Parliamentary Secretary to the Ministry of Food.

51  S21 H.C. Deb. 5s. col. 37, 25 November 1953, Written Answer, Major Lloyd George, Minister of Food.
<table>
<thead>
<tr>
<th>Product</th>
<th>Origin</th>
<th>Contract Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundnut Oil</td>
<td>Nigeria</td>
<td>31.12.55</td>
</tr>
<tr>
<td>Benniseed</td>
<td>Nigeria, Sierra Leone</td>
<td>31.12.55</td>
</tr>
<tr>
<td>Cotton Seed</td>
<td>Nigeria</td>
<td>31.12.55</td>
</tr>
<tr>
<td>Concentrated Orange Juice</td>
<td>British West Indies</td>
<td>1959-60</td>
</tr>
<tr>
<td>Sugar (Commonwealth Agreement)</td>
<td>Fiji and Mauritius</td>
<td>31.12.61</td>
</tr>
</tbody>
</table>

Accordingly, the British Government carried out its policy and by February 1955, only the really long-term contracts for colonial products remained in being. These included: copra and coconut oils from Fiji and the Western Pacific with a terminal date at 31st December 1957; concentrated orange juice from the British West Indies terminating at the end of the 1959/60 crop year; and sugar under the Commonwealth Agreement, later extended to December 1962. The trade in many foodstuffs, thus, had reverted to private importers, e.g. in bananas, grapefruit, sago, cocoa and tea.

One of the effects of bulk buying policy was to encourage early planting with the announcement of producer prices for a whole season ahead. But these prices used to be at such a low level that there was a tendency among the labourers to move to other lines of production. Often there used to be violent discontent. Thus, the low producer prices paid for palm-oil
produce in Nigeria, in 1951, were held responsible for the low output of palm oil and palm kernels in that year, and it was alleged that they had drawn labour into more rewarding uncontrolled production such as rubber and timber. Also, the refusal, in 1962, both by the Kilimanjaro Native Coffee Growers' Cooperative Union and the Bukoba Native Coffee Board to renew their bulk-purchase agreements with the Ministry of Food suggested that these producers did not regard past arrangements as satisfactory. There was a tendency to demand higher bulk-purchase prices where no centralized selling agency intervened between the producer and the buyer, or only one operated by the producers themselves, as in the case of Kenya coffee planters and colonial sugar producers. According to Leubuscher, development based on bulk-purchase agreements with Britain was "akin to the policy of 'complementary production' which, before the war, was regarded as


54 Ibid., pp. 108-9, 113. The author said: In the early part of the war, it was the deliberate policy of government departments to import, wherever possible, unprocessed materials in order to save currency. The policy of Government bulk buying was adopted in order to ensure the United Kingdom supplies. Also, both the choice of commodities and form in which they were stipulated were determined by the needs of the British economy, or at least, by the policy of the buying government departments. Ibid., p. 113.
rather an undesirable feature of French colonial policy, and which, it was generally agreed, British colonial policy should avoid." In the post-war years, the bulk-purchase had affected the development in two ways: it encouraged production along traditional lines by concentrating on well-established products, having no regard for diversification of colonial economics, an acknowledged aim of British colonial policy; and it favoured delivery of the material in unprocessed form which, in turn, might prove an obstacle to the setting up of processing industries in the producing colonies.

During 1953 and 1954 the Conservative policy was to reduce the restrictions on imports of non-sterling commodities in the United Kingdom. This brought the colonial commodities like bananas, essential oils, citrus juices, coffee, oilseeds, vegetable oils and timber into competition with those of the United States, Central and South America, Israel, Spain and Canaries. The West Indies producer was the worst sufferer. As a result, in 1955 delegations from the West Indies visited London pleading for assistance in these fields. But the only help they had received then was the promise of interest-free loans to assist them in the establishment of price stabilisation funds, and some increase in the tariff preferences on bananas and lime-oil.

55 The latter had admittedly been made by the colonial waiver amendments to the General Agreement on Trade and Tariffs (footnote contd....)
The effect of Conservative policy, thus, had been to throw the whole responsibility for the marketing of primary products on the Colonial Governments. The tariff concessions offered a little relief. And the result was the revival of old phenomena of price fluctuation which compelled many of the marketing boards to call on their reserves to soften the blow to producers. In the case of cotton, the United States, under its home price assistance policies, had built up an enormous surplus which it was then releasing to the world markets, causing considerable apprehension in Uganda and Northern Nigeria. In 1955, the Official Fact Finding Mission found that there was no future for the West Indies citrus industry for the fresh-orange trade, and that competition from the United States and Mediterranean, coupled with rising costs, had robbed the trade in processed products of profit. The price of cocoa had fluctuated wildly, attaining a record of £500 a ton in the summer of 1954, and falling to below £200 in 1956, with serious effects both on demand by the consumer and the finances of the Gold Coast Government.

(previous footnote contd.)

accepted by the Contracting Parties at their Ninth Session in 1954-55, at the instigation of the British Government.

56 Ibid., p. 35.
During a debate in the House of Lords on the Second Reading of the Colonial Development and Welfare Bill, on 24 February 1955, Lord Balfour pointed out that, in Dominica, there was very considerable unemployment because the Conservative Government had thought it wise to put lime-oil on licence. In certain West Indies territories there was great difficulty because they were not able to sell their citrus fruit juice, owing to American-subsidised competition, although the cocoa industry in West Africa, or tin-miners in Malaya were doing splendidly well in spite of their exposure to the full blast of world prices as they were then developing new techniques and learning how to market their primary products. He pleaded that, although it was not expected of the British Government to insulate artificially any colonial territory against the facts of world price levels for all time, the Government could and should shelter them from sudden shocks and rapid price movements which had exaggerated detrimental effects on economies that were dependent upon one particular product. One striking example, he said, was that of helping the West Indies sugar producers by Commonwealth Sugar Agreement. However, during a debate in the Commons on the CD&W Bill on 2 February 1955, Henry Hopkinson, the Minister of State,

57 191 H. L. Deb. 5s. col. 478, 24 February 1955, Lord Balfour.

58 536 H.C. Deb. 5s. col. 1215, 2 February 1955, Henry Hopkinson.
maintained that the real prosperity of the colonies, in the Conservative view, depended five years ago, and would depend in the future, "on the creation of favourable economic conditions in the Sterling Area as a whole." The aim must, therefore, be to strengthen the reserves of the sterling area and to avoid world inflation. In short, the Conservatives believed that "the welfare of the Colonies themselves must depend upon a healthy world trade."

**The Colonial Development and Welfare Act, 1955**

When the Conservatives came to power in 1951, the position of the Colonial Development and Welfare Funds (C.D. & W. Funds) was not satisfactory. The operative Act was then the Colonial Development and Welfare Act, 1945 under which £120 million were earmarked for development over a period of ten years ending in 1966, to which another £20 million were supplemented by 1950 Act, thus bringing the total to £140 million as a C.D. and W. Funds. Of the total £140 million, about £56 million had been disbursed, £79 million had been allocated either to territories or to approved objects such as research, and only about £5 million remained in reserve. There was, thus, simultaneously, a lack of reserves for future development, however, urgent and underspending by recipients. In the sixth year of the ten allotted by the Act, less than half the allocation had been spent, inspite of rises in world prices.
This was due partly to world shortage of men and materials, and partly to the difficulty which countries like Malaya had in carrying out ordered development amid civil unrest. In 1950, when a supplementary Act giving another £20 million to the fund was passed, the policy was adopted of giving precedence to schemes that would benefit the colonies economically; and of the later allocation, over three-quarters had gone in this way. In general, the policy was to restrict them to basic economic necessities, such as building roads or draining swamps, in order to prove an asset to the colony's economic development.

In January 1953, a call to the Government to decide at an early date the future of the £140 million C.D. & W. Funds, which covered the period up to 31 March 1956, was made in a report submitted to the Colonial Secretary by the Parliamentary and Scientific Committee. The report which discussed the application of science and technology in the colonial territories pointed out that only £5 million of the C.D. & W. Funds remained unallocated, and said: "All plans for the effective application of science and technology in the colonial territories depend to a large extent on the availability of funds from this source, and as most of these plans are inevitably of a long-term nature, it appears desirable that the funds should not only be increased

59 The Times, 3 July 1952.
in volume but that arrangement should be made for sufficient moneys from them to be available for several decades ahead."

In reply to questions from Vaughan-Morgan and Braine, Conservative M.P.s, about the future of the Colonial Development and Welfare Acts, Lyttelton made an important statement in the Commons on 24 June 1953. In his statement Lyttelton said that he was asking Colonial Governments and other authorities concerned to provide the material on which the British Government could approach Parliament by introducing the necessary legislation early in the 1954-55 session, for more money for colonial development. Meanwhile, he said, the Colonial Governments were told that for essential developments they might enter into commitments extending the period beyond 1956 and above £140 millions already authorised under the C.D. & W. Act of 1945 and 1950, on the understanding that the Conservative Government would in due course ask Parliament for the money. Such advance commitments would be limited to a total of £7 million and needed treasury approval. The Colonial Governments had been asked to supply financial statements showing their needs for external aid in the new period. The statement was to show how much development in the Public Sector was thought

60 Manchester Guardian, 9 January 1953.

61 516 H.C. Deb. 5s. cols. 1897-8, 24 June 1953, Oral Answer, Lyttelton.
practicable, how much money could be raised locally, and how much money would be needed from outside (loans as well as grants), if the development was to be carried out in full. On the basis of these statements, he said, the British Government would assess the territories need for assistance in relation to the resources available and would decide how much more money for development and welfare Parliament must provide.

62
In his circular despatch dated 1st July 1963 which went out to the colonies, Lyttelton underlined the need for a proper emphasis on economic development. As he put it:

I do not underestimate the importance of basic social improvement in Colonial territories. But Colonial Governments will defeat their own object if they saddle themselves with a crippling burden of recurrent charges on capital which does not earn a return. The only certain way of providing for these recurrent charges is to see that a proper place is given in development plans to those basic services which make a more direct contribution to the expansion of the territory's resources.

63
In another statement, this time by his successor, Lennox-Boyd disclosed in the Commons on 3 December 1954, that development plans for the colonies to cover the next five years were being formulated by the Government, and a Bill, to provide necessary additional funds, was expected to put before Parliament shortly. He said, experience had shown that a 10-year


63 535 H.C. Deb. 5s. cols. 491-3, 3 December 1954, Lennox-Boyd.
period had been too long for necessary planning and forecasting to be done in a realistic way, and five years then appeared to be a better term. The importance of Colonial Development and Welfare money varied according to the situation of the individual Colony, but the total amount then being spent had risen significantly from £6 million in 1948-49 to the 1954 rate of £14 million a year. It had always been the hope that the bulk of the money should go to that economic development which would promote the future resources of the countries concerned. But he pointed out that certain colonies had decided to use colonial development and welfare money on health and education, and to use their local funds for revenue-paying projects. That was why a very high proportion of the money had gone on what were generally classified as social services.

Among the resources of the colonies, there were sterling assets totalling then £1,450 million, of which currency funds accounted for £365 million, the latter being held in London in the forms of investments in the United Kingdom issued securities, including some colonial stock. This was confirmed by the Parliamentary Under-Secretary for Commonwealth Relations,

64 Lennox-Boyd said: The figure for social services was some 43 per cent, which was about £53 or £54 million. Ten per cent had gone on research, 5.6 per cent on surveys and censuses; nearly 20 per cent on economic expenditure — mainly agriculture and 15.5 per cent on communications. Ibid., col. 493.
Douglas Dodds-Parker, during a debate in the Commons on 3 December 1954. He also said that the Colonial Secretary had lately told Colonial Governments that he would be agreeable, in principle, subject to review of the individual circumstances of each territory, to a small part of those investments being transferred into locally issued securities. The importance of sterling assets for development of the colonies was stressed in a memorandum on the subject published as a White Paper. "There can be little doubt", said the memorandum, "that the building up of Government reserves has enabled some Colonies to plan long-term development with confidence and that those Colonies which have accumulated large sterling assets will be in a stronger position to meet any serious recession in raw material prices than those which have been unable to do so.... In the long-term, increasing development and rising economic standards are likely to mean bigger reserves."

In January 1955, as a preliminary to the introduction later that month of a further C.D. & W. Bill, a White Paper was issued to report on the administration and use of funds provided under the C.D. & W. Acts. In a foreword to the report,

65 Ibid., col. 556, 3 December 1954, Douglas Dodds-Parker.
Lennox-Boyd said that Britain had played her full part in the various international agencies and plans which had come into existence since the war for under-developed territories and stood at all times ready to defend the colonial territories against external aggression or internal subversion. Secondly, Britain gave grant aid to colonial administrations whose revenues fell short of their essential commitments. Thirdly, it was on Britain that the colonial territories mainly relied for public loans and private capital. Fourthly, Britain furnished much of the technical knowledge and skill required both to frame and carry out development projects, and also the facilities for training local people to do this work for themselves. However, he pointed out that some control must be retained in London over expenditure from Colonial Development and Welfare funds, as Her Majesty's Government were accountable to Parliament for these moneys. But, subject only to that, the responsibility for drawing up and executing development programme to which C.D. & W. funds had contributed, had rested throughout on Colonial Governments. The Report also pointed out that nearly half the expenditure of C.D. & W. Funds had been on the social services, especially education. In all, expenditure by Colonial Governments on development programmes had risen from about £67 million in 1950 to about £110 million a year by 1953.

68 Ibid., p. 3.
Two-thirds of the cost of the plans had been found locally. It was estimated that the need for external finance, both in loans and grants, would be greater during the next five years than it had been since 1950. The Report expressed the hope that Colonial Governments would be able to get some of this money from such bodies as the World Bank, and that further assistance would be given by the United States Government and by the Specialised Agencies of the United Nations. However, it said that the United Kingdom must continue to be the main source of external finance.

Although the Act of 1950 was not to expire until 31st March 1956, it was thought, in order to ensure continuity in planning and avoid uncertainty in the colonies, to be desirable that there should be a year's overlap of legislation. Thus, in the light of statements from the Colonial Governments, and of a review of the needs of the central services such as research, an assessment was made of the total requirement of C.D. & W. assistance during the five years beginning on 1st April 1955.

This led to the introduction in the Commons on 26 January 1955 of a new Colonial Development and Welfare Bill which intended to extend the life of the Acts until 31st March 1960 and provide a further £80 million. The Bill was read by the Colonial Secretary for second time on 2 February 1955.

69 Ibid.
70 536 H.C. Deb. 5s. col. 177, 26 January 1955, Hopkinson.
Lennox-Boyd said, together with the unspent sum of £40 million, the Bill provided a total of £120 million for the years 1955-60. Further, the bill raised the statutory ceiling on expenditure from the then figure of £25 million a year to £30 million a year and the maximum annual amount expendable on research from £2.5 million to £3 million. But it would be wrong, said Lennox-Boyd, to regard these funds to be "the only source of colonial development and welfare." He estimated that about 20 per cent of C.D. & W. money looked like coming from this source, but the remaining 80 per cent expenditure must come from other Government sources. And so, the total amount expected to be available for the investment in British colonial territories by the British Government and by the Colonial Governments over the next five years period would be about £600 million. He said it was the Government's intention, besides continuing to grant the colonies C.D. & W. Funds, to give Colonial Governments every facility for raising loans in the London Market.

While stressing the importance of the Bill in the House of Commons on 2 February 1955, Henry Hopkinson said:

The proposals embodied in the Bill, and which I believe have the support of the very great majority, if not all, of hon. Members, represent a further stage in the process of social and

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71 Ibid., cols. 1116-29, 2 February 1955, Lennox-Boyd.
72 Ibid., cols. 1219-20, 2 February 1955, Hopkinson.
economic development of our Colonial Territories. It was launched in 1940 and has been carried on by Governments of different political colours ever since. Scarcely a week passes that we in the Colonial Office do not find ourselves faced either with a new constitution or a change in an existing one. Without economic and social advance, political advance can have no value. This Bill represents the Government's proposals for such development parallel with the political advance which we foresee.

The question of whether any Colony moving towards self-government should, when it reached self-government one way or another, be eligible for colonial development and welfare money, said Lennox-Boyd, would have to be determined according to the circumstances of each case.

The Opposition Front Bench welcomed the Bill, but expressed strong doubts as to whether the money provided was sufficient for the purpose. James Griffiths, Opposition

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73 Ibid., cols. 1118-9, 2 February 1955, Lennox-Boyd. The 1950 Act repealed a clause previously confining benefits to dependent territories "not possessing responsible self-government." The 1955 Act defined the territories by inference, like its predecessors, so that in fact, aid was available for any United Kingdom Colony, Protectorate, Protected State or Trusteeship territory.

74 In its pamphlet titled What the Next Labour Government Will Do?, the Labour Party refuted the Conservative claim that under the new C.D. & W. Act 1955, the latter had increased the sum from an average of £20 million a year, as against £14 million previously. As the pamphlet said: "...to-day £20 million buys less than £14 million bought 10 years ago. Britain is also wealthier to-day; we are no longer struggling with post-war austerity. Labour speakers were, therefore, right to attack this increase as inadequate." Abstract from the pamphlet given in East Africa and Rhodesia, vol. 33, no. 1704, 6 June 1957, p. 1343.
spokesman, doubted whether the provision they were making was "as generous as it was when we began, taking into account the fall in the real value of money and, therefore, the reduction in the real resources which the money will make available." He also said, if the work was to be carried out properly and was to mean something, it was a matter not of writing cheques and passing Bills, but of a real transfer of resources. Another Labour M.P., Sorensen, said that, while it was vitally necessary to spend these funds upon welfare and development, nevertheless, "our ultimate aim is to encourage the economies of the Colonial Territories." If that was not so, he was certain that the peoples in the Colonies themselves would begin to complain that they were merely receiving benefits from overseas sources, and that their economies were, basically, poor.

75 536 H.C. Deb. 5s. col. 1132, 2 February 1955, James Griffiths.

76 Ibid., cols. 1187-8, 2 February 1955, Sorensen.

77 The pamphlet, What the Next Labour Government Will Do?, published by the Labour Party, said: "It is not enough for Parliament to vote additional money for overseas development: to do so without freeing resources by reducing other forms of private or public expenditure would simply add to the inflationary problems facing the Government. A decision to vote more money for colonial development means a decision either to hold back personal consumption by taxation or other means, or a reduction in some other item of Government expenditure... It is not merely money we are voting for overseas development: it is real resources in the form of capital goods, such as tractors, raw materials, or consumer goods." See East Africa and Rhodesia, vol. 33, no. 1704, 6 June 1957, p. 1343.
Replying to the points raised by the Opposition concern the amount of the new vote in the Commons, Henry Hopkinson set before a decision was taken about the amount, three considerations were taken into account: first, the cost of development between 1955 and 1960; secondly, the amount available from the Colonies' own resources; and thirdly, the amount financed from loans on the London market.

During the debate Lennox-Boyd had given particular attention to the Colonies' sterling balances. He said that colonial reserves and assets which then totalled £1,400 million, a formidable sum, were dispersed all over the place, not necessary in the territories that needed "the pump to be primed." Giving the details of the Colonies' sterling balances he said, first £300 million represented the London reserves of commercial banks operating in the Colonies. Another £380 million represented the sterling holdings of colonial currency authorities to facilitate colonial currencies automatic conversion into sterling. In the course of debate, he recalled the statement of Douglas Dodds-Parker, Under-Secretary of State for Commonwealth Relations in December 1954 in which it was stated that the Government was quite agreeable, in principle -- subject to a review of the

78 536 H.C. Deb. 5s. col. 1213, 2 February 1955, Hopkinson.
79 Ibid., cols. 1126-8, 2 February 1955, Lennox-Boyd.
individual circumstances of each territory -- to a small part of the backing being used to take up locally - issued securities. But he said that anything they authorised would be based on their confident assertion that automatic convertability would in no way be jeopardised. Thirdly, there were the very large sterling assets of the marketing boards and of the price assistance funds which then totalled about £140 million, but largely centred in two or three rich territories, and a good deal of the money was centred in Territories which did not need -- either at all or in large part -- C.D. & W. money. But these sums, he said, could not be used as a fund to be spread over the whole colonial field, because they were the property of individual Territories. They were also, of course, a cushion against fluctuations in prices. Fourthly, some £550 million represented Government surplus revenues, and special funds such as sinking fund, savings bank, pensions, and renewals. Much of these reserves had accrued as a result of money coming into the Colonies during the period of high prices for certain primary products. Finally, there were two or three other forms of aid on which the Colonies could call, like the International Bank, private investment, and lastly, colonial loans, whether loans on the London market, local loans, or inter-colonial loans either taken up by the Crown Agents, or specially from one Territory to another.
Later, the Bill was read Third time on 7 February 1955 and passed without amendment and division, and received the Royal Assent on 29 March 1955. Details of the allocation of funds provided under the C.D. & W. Acts were given in a despatch from the Colonial Secretary to Colonial Governments. The Colonial Development and Welfare Act 1955 which provided £120 million, including £40 million unspent balance of the total of £140 million provided under the Acts of 1945 and 1950, extended the life of the C.D. & W. Acts up to the 31st March 1960. This represented, the despatch said, a substantial increase in the amount of assistance to the Colonial territories over the next five years, since it would permit an average expenditure of £24 million a year as compared with the then current rate of expenditure of some £16 million a year. The biggest sum under the Act went to Research and Higher Education, their allotment being £7,976,000 and £6,853,000, respectively, and for Higher Technical Education £2,469,000. The despatch referred to the earlier circular despatch 601/53 of the 1st July 1953 of the Colonial Secretary which had underlined the need for a proper emphasis on economic development: "I do not underestimate the importance of basic social improvement in Colonial territories. But Colonial Governments will defeat their own

object if they saddle themselves with a crippling burden of recurrent charges on capital which does not earn a return. The only certain way of providing for these recurrent charges is to see that a proper place is given in development plans to those basic services which make a more direct contribution to the expansion of the territory's resources." This had been, said Lennox-Boyd in his despatch, the approach of Colonial Governments to the planning of development, but it was of such fundamental importance for the future economic and social well-being of the colonial territories that he felt that the principle could not be too often restated. He said he was confident that both this consideration, and the equally important criterion of the balance of payments emphasised by successive Commonwealth Economic Conferences would guide all Colonial Governments in the formulation or re-shaping of their programmes for the next five years.

Some of the leading Colonial Development Schemes current in 1957 and their sources of finance are given below. Most of these projects were due to be completed by 1960:

<table>
<thead>
<tr>
<th>Major Colonial Investment Plans in 1957</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources from which financed</td>
</tr>
<tr>
<td>Total £'000  C.D. &amp; W. Funds £'000  Loans £'000  Local resources £'000</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Nigeria (Federal)  116,006  4,150  32,300  69,189</td>
</tr>
</tbody>
</table>


(footnote contd....)
Private and Public Enterprise

Most economists are agreed that it is a mixture of public and private initiative that will secure adequate economic growth with minimum strain. Apart from the obvious dangers to democracy if all economic initiative is concentrated in the hands of public officials, private capital can frequently also best provide that combination of capital, technology and managerial skill which is vital to success in any spheres of activity.

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Most of these plans were large and relied for a large proportion of the finance on outside loans. At the same time several of the Colonies were suffering from the fall in commodity prices.

When the Conservatives took over in 1951, economic development in the colonies depended to a considerable extent on private enterprise. It was estimated then that about half the total investment in the colonies came from private sources, which tended to concentrate on agricultural and industrial production, mining and trading, leaving the creation of assets such as health and education facilities, railways, roads and electricity supplies mainly to Government. The main sources of private investment were profits of local business enterprise and, to a much larger extent, reinvested were profits of British firms operating in the territories or new money raised by these firms in Britain. The colonies were part of the sterling area so Exchange Control approval was not necessary for the transfer of capital to them from Britain. But new private borrowing in Britain for investment in the colonies required the approval of the United Kingdom Treasury on the advice of the Capital Issues Committee, if the amount involved was over £50,000 in a year. At the Commonwealth Economic Conference in December 1952, the Conservative Government undertook to make a special effort to provide capital for development in the sterling Commonwealth. Thus, in February 1953, the Chancellor of the Exchequer gave new guidance to the Capital Issues Committee asking it to "give sympathetic consideration to projects which appear likely, on the evidence submitted before the Committee, to contribute materially to the improvement of the sterling area's balance of
payments with the non-sterling world." Investment was also undertaken in the colonies by foreign, i.e., non-British private enterprise to which there was no bar. For example, Swiss and French trading concerns operated on an important scale in several African territories. United States had rubber concerns in the Far East, mining and oil concerns in the Caribbean and a considerable interest in mining industry in Northern Rhodesia.

The importance of foreign private investment in the colonies was acknowledged by the Conservatives. "One of the problems" they said, "is to encourage the foreign private investor to hope that he will be allowed to receive his fair share of the fruits: otherwise, he will not provide the money, and it is doubtful if the Governments can supply all that is needed even if it is desirable that they should do so." During a debate in the House of Lords on 8 December 1955, Lord Lloyd, Parliamentary Under-Secretary of State for the Colonies, said: "We do not believe that overseas investment in Africa can best be encouraged by centralised action on the part of the metropolitan Governments." The stimulation of overseas investment in

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85 194 H.L. Deb. 5s. col. 1298, 8 December 1955, Lord Lloyd.
the African territories, he said, depended fundamentally on
the creation of suitable conditions in the territories them-
selves, and it was "for all the local Governments to work out
their own policies in these matters and for sponsors of indivi-
dual projects to see that overseas investors are made aware of
the opportunities open to them." That did not mean that the
Conservatives discouraged European investment in the colonial
territories. On the contrary, he said, they welcomed it and
accepted it "on equal terms with other foreign investments."
At the same time, there was no justification for the imposition
of special privileges for a restricted group of European countr-
ies, and the Conservative Government could not agree to subordi-
nate the interests of the Colonies in this way. He emphasised
that, in the Conservative view, the extent to which the overseas
territories might wish to encourage European investment was a
matter in which "they (the overseas territories) themselves must
have the predominant voice and in which their particular
interests must be paramount."

Thus, the Conservative Government left economic develop-
ment in the colonies largely to private enterprise which
operated within the framework of law, orders, and communications
provided by the Government. And their economic philosophy
accounted largely being content with "holding the ring" in this
way. Nor was it considered that interference would do anything
but harm to the process of building up the self-reliance of
colonial territories as a basis for their political dependence. That end was never far out of mind.

But according to a Labour Party pamphlet, private investment in the colonial territories where the risks of political unrest were always great, inevitably "tends to look for high profits and a quick returns." Even where such investment increased the national income, as the copper mines of Northern Rhodesia had done, it did not correspondingly increase the prosperity of the native peoples. Only 13 per cent of the money income of Northern Rhodesia found its way into the pockets of the African people, who formed 97 per cent of the population. Nor had there been, it said, any sign since the war that private investment could meet the colonies needs. Between 1945 and 1955 the total capital formation in the colonies, excluding Northern Rhodesia and Southern Rhodesia was £2,300 million, of which £700 million came from outside and only £300 million of this from private sources. Fresh private investment from outside in the Federation of Rhodesia and Nyasaland, on the other hand, was no less than £200 million in the same period. It was not difficult to see why the Federation, rich

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in mineral resources, should be so much more attractive to investors than most other colonies. It was always easy, it said, to find private capital for extractive industries, but these did not necessarily help to build a balanced economy.

However, foreign private capital had its advantages. In the Conservative view, private enterprise was "better adopted to undertake the risk investment which often produces the most valuable addition to economic progress." Direct private investment forged the most permanent trading links between countries and opened up the field for the exchange of technical skills. Also, foreign private capital has advantages over foreign governmental capital. In the words of an Indian economist, "foreign business merely wants to make money, whereas foreign governments like to influence attitudes."

The importance of private enterprise was also acknowledged by the Governors and the Prime Minister of the colonies. Commenting on the East Africa Royal Commission, Sir Andrew Cohen, Governor of Uganda, said: "It is our declared purpose to assist

88 Ibid., p. 1344.
private enterprise in all desirable forms of economic development and this we are doing. But there are certain types of projects, both industrial and mining, in which private companies interested in investment in Uganda wish to be associated with state enterprise, and that association has been conclusively shown by our experience to be the best means of...attracting capital to this country." While making a statement on Foreign Investments in the Gold Coast Legislative Assembly in March 1954, Dr Nkrumah, Prime Minister of the Gold Coast, inter alia said: "...In formulating its policy the Government has accepted the fact that it will be many years before Gold Coast will be in a position to find from its own resources people who can combine capital with the experience required in the development and management of new industries. It is, therefore, apparent that the Gold Coast must rely to a large extent on foreign enterprise and the Government is anxious to give it every encouragement."

While there was lack of adequate information on private investment as a whole in the colonies, it was then estimated that, of the £600 million of investments, grants and long-term loans from the United Kingdom to the colonial territories in the six years from the end of 1949 to the end of 1955, £150

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million consisted of the United Kingdom Government grants, £150 million official capital of all kinds, and some £300 million represented private capital.

The importance of a flow of private investment from external sources had long been recognised by the Colonial Governments and there was no difficulty in attracting investment for the purpose of expanding the production of established industry - as in the production of primary products such as tin and rubber in Malaya and copper in Northern Rhodesia. The problem, however, was to induce investors to put capital into new industries, including manufacturing industries. The activities of the Colonial Development Corporations and of the local bodies set up by Colonial Governments were helpful in the sense that they were able and willing to participate financially in new worthwhile projects in company with private investors. A number of Governments had introduced 'pioneer industries legislation' designed to attract investment for new industrial enterprise and some times separate laws were enacted to give special concessions to specific industries, for example, cement in Jamaica and Trinidad. Thus, there were Pioneer Industries Legislations enacted in some form or other in Jamaica, Trinidad, Barbados, British Guiana, Leeward Islands, Windward Islands, British Honduras and Nigeria.

94 Ibid., pp. 10-11.
The Overseas Food Corporation

When the Conservatives came to power in 1951, the Labour Government had already announced, in January 1951, its decision, in a White Paper (Cmd. 8125), to abandon the original scheme of growing groundnuts in Tanganyika which had been widely criticised for its failure, and in its place to introduce an experimental scheme for investigating the economics of tropical farming to be run by the Overseas Food Corporation in areas of the previous scheme. Thus, under the Overseas Resources Development Act, 1951, the Overseas Food Corporation was remodelled for the purpose, and was placed, with effect from the 1st April 1951, under the ministerial responsibility of the Secretary of State for the Colonies and financed from annual votes of Parliament. The purpose of the new experimental plan was to establish, by a large-scale experiment, "the economics of clearing and mechanised or partially mechanised agriculture under tropical conditions." In other words, the cleared areas which showed any agricultural promise were to be put under cultivation by a skeleton staff to see if they could be made to pay their way. This project was to run for nearly six and half years ending in September 1957 and to cost £6 million altogether, including provision for capital development, the liquidation of past commitments, research and experiment, and agricultural losses,

but without allowing for contingencies or for any bush clearing after 1954. The Corporation had planned that these funds would be appropriated as: £2.66 million for 1951-52; £1.29 million for 1952-53; £.95 million for 1953-54; £.4 million for 1954-55 and £.7 million after 1955.

According to the Annual Reports of the Corporation for the years 1951-52 and 1952-53, ending 31st March 1952 and 1953 respectively, the Overseas Food Corporation incurred in the fourth and the fifth year of its operations a net deficit on agricultural account of £1,311,391 in 1952 and £431,080 in 1953 as against the deficit of £806,321 in 1951. The Report for the year (1951-52) stated that the Corporation was occupied throughout the year in implementing the terms of White Paper (Cmd. 8125) on the future of the Corporation. But the exercise had been complicated on account of the wide divergence of the two operations -- the running down of a vast organisation built up for the mechanised production of groundnuts in East Africa (Cmd. 7030) on the one hand, and the attempt to establish the economics of clearing and mechanised or partially mechanised agriculture under tropical conditions (Cmd. 8125) on the other.


The one was bound to have serious repercussions on the other. But the task, it claimed, had been accomplished with marked success. The Board, in view of cultural obstacles and high cost of production of groundnuts in both the Regions -- the Southern Province and Urambo -- in any rotation, had recommended to the Secretary of State that there should be slowing down in the tempo of its operations in both these Regions until the economics of agricultural practices were fully established. In the following year (1952-53) since the Secretary of State had accepted the Board's proposal, the total area under cultivation was reduced to about forty thousand acres so that on a reduced acreage the staff could concentrate on many of the basic agricultural problem and the subsequent events proved the wisdom of this decision. The Report for the year (1952-53) gave detailed results from each of the three areas under the Corporation's control. In spite of the failure of the crop at Kongwa, the conclusion was reached that the groundnut had proved a great drought - resisting plant, and that, in an average year, provided the seed was well planted and got off to a reasonable start, there should be nothing to fear in planting it.

While the Corporation was engaged in determining whether or not large tracts of previously unused land in East Africa could be tamed and brought into economic production by the application of modern agricultural practices, the Colonial
Secretary, in a written answer on 24 March 1954, informed the Commons that an agreement had been reached between the Government of Tanganyika and the Colonial Office to transfer the remaining enterprise of the Overseas Food Corporation in East Africa to a new body - the Tanganyika Agricultural Corporation, to be run jointly with the Tanganyika Government as a Colonial Development and Welfare project.

Details of the Government's plan, announced by the Colonial Secretary in March 1954, to tidy up the remnants of the groundnuts scheme and transferring the undertaking to a new Tanganyika Agricultural Corporation were given in a White Paper (Cmd. 9158). The White Paper explained that since the changes effected in 1951 whereby the function of the Corporation were radically altered from large-scale commercial production of groundnuts to the investigation of the economics of clearing and mechanised agriculture under tropical conditions, it had become increasingly clear that the chief beneficiary of the advantages to be derived from these experiments must be the territory in which the activities were being conducted and that these advantages could only be fully realised, through a close association of the Tanganyika Government, with the work of the

98 525 H.C. Deb. 8s. cols. 108-9, 24 March 1954, Written Answer, Lyttelton.

Corporation which conducted them. Besides this, the establishment of a new Corporation constituted by local legislation would not only allow plans to be made for the future of the experiment beyond September 1957, but also provide an instrument for carrying out Tanganyika's own resources for Agricultural development. Under the new proposal the remainder of the experiment was made a Colonial Development and Welfare scheme, thus recognizing its experimental purpose, assuring the closer association of the Tanganyika Government as administering authority, and bringing the administrative and financial procedure into line with the new chain of responsibilities. The British Government was to provide an amount not exceeding the unexpected balance of the £6 million allocated under the 1951 scheme. This amounted then £1,700,000 and was considered adequate to complete the experiment. Any project of the Tanganyika Government operated by the Corporation would be financed by that Government. The new Corporation would take over as a going concern, the organization, assets and liabilities of the Overseas Food Corporation. Once this transfer had been effected there would consequently be no reason for the continued existence of the Overseas Food Corporation and it would thereafter be dissolved.

Meanwhile, the Annual Report for the year 1953-54 of

Overseas Food Corporation whose transfer into new Tanganyika Agricultural Corporation was announced by the Colonial Secretary, was another sad reminder of the relic of the splendours of the past mistakes of the Labour Government groundnuts scheme. During the year, the working of the Corporation cost £666,798, excluding depreciation, and receipts totalled £328,904, of which £174,932 came from the sale of crops. The Report said: "The indications are that groundnuts may well become an important crop in the rotation at Nachingwea (in the Southern Province) and a worth a further trial at Urambo during 1955-56 season. With Kongwa now mainly a ranching area, and with the introduction of stock into both Nachingwea and Urambo, increasing attention is being given to pasture studies." The Report also showed how long a period of experiment, both in planting and mechanisation, was necessary to master the hazards of cultivation in East Africa. "Agricultural experiment" in the words of the Report, "is a long-term project and results can only be assessed by the interpretation of records over a period of years."

Later, as a result of legislation passed in the United Kingdom and in Tanganyika, the scheme previously entrusted to the Overseas Food Corporation was handed over, from 1st April 1955, to the Tanganyika Agricultural Corporation and the balance of the funds previously made available by Her Majesty's
Government to the Overseas Food Corporation for the purpose of investigating the economics of mechanised and partly mechanised agriculture under tropical conditions was transferred to the Colonial Development and Welfare Fund for the use of the Tanganyika Agricultural Corporation under the terms of the Act. And with that, the Overseas Food Corporation was dissolved.

Thus, the ill-fated groundnuts scheme - a past legacy - which was later modified for investigating the economics of the tropical farming became an ordinary scheme of Colonial Development and Welfare. That was what the Conservative Party, when in Opposition, always maintained, it should be. The unfortunate experience of the "Groundnuts Scheme" in Tanganyika had emphasized the difficulties surrounding any efforts to convert Africa's subsistence cultivation into cash crops at a rapid rate and on a large-scale. The Conservatives realized this by transferring the scheme to the Tanganyika Agricultural Corporation for experimental purpose as a C.D. & W. Scheme. It should be noted that no attempt was made to transfer the scheme to the Colonial Development Corporation because of its experimental value.


102 The scheme was expected to produce in vast quantities the oils and fats which the world then needed.
The Colonial Development Corporation

The Colonial Development Corporation, like the Overseas Food Corporation, was created as a public corporation under the Overseas Resources Development Act, 1948, by the previous Labour Government. Its aim was to "secure the investigation, formulation and carrying out of projects for developing resources of colonial territories with a view to the expansion of production of foodstuffs and raw materials, or for other agricultural, industrial or trade development" and "carry out these activities either itself or in association with other bodies, including Government authorities." An over simplified comparison of the objects of the two Corporations might be stated thus: the Overseas Food Corporation was primarily concerned with the speedy provision of food — especially vegetable oil — to Britain; the Colonial Development Corporation, on the other hand, was created "for the purpose of improving the standard of living of the Colonial peoples by increasing their productivity and wealth." However, the C.D.C. was in no way to affect the Colonial Development and Welfare Funds' activities. It was to provide for a development which entailed a commercial risks and which

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depended upon the basic development with adequate social services. Speaking in the Commons on 17 July 1952, Lyttelton said that the original conception of the C.D.C. was not fully thought out, and that "many of the canons which govern commercial enterprises were ignored." The Corporation was intended to act as a commercial concern, and had the advantage of raising money at gilt-edged rates, to become self-supporting, without aid, taking one year after another. It was outside the usual ambit of C.D.C., if a proposition was entirely uncommercial and undertaken for the long-term benefit of the Colony which included much research and experimental work. The role of C.D.C. was not to risk the taxpayers' money in propositions where private enterprise was willing to take the risks without any help from the C.D.C. Thus, if a proposition was unlikely to yield the gilt-edged rate, the Colonial Secretary said, the Corporation as a rule should not be prepared to plunge into it. Those projects, which were of a

105 503 H.C. Deb. 5s. cols. 2370-2, 17 July 1952, Lyttelton.

106 According to C.J.K. Alport, Conservative M.P., the statement of former Colonial Secretary, Arthur Creech Jones, in 1947, while announcing the Government's proposal that the Corporation would operate on commercial principles, with the object "to establish or assist any enterprise in the Colonies which is designed to increase their productive capacity", showed confusion of mind regarding the proper functions of a C.D.C. existed from the start. Projects which might increase productive capacity might not be commercially profitable, and profit, on his (Arthur Creech Jones) own admission, was to be the touchstone of success. In consequence, no attempt was made to

(footnote contd....)
general social nature and which were not related to ordinary commercial enterprise, should properly be handled by the C.D. & W. Fund, but, in the sphere of commercial enterprise, Lyttelton said, he was "reactionary" enough to think of spending the taxpayers' hard-won money in projects which were going to result in losses. Thus, he argued that the C.D.C. should go into enterprises and incur great risks, but always where "there is a prima facie possibility of making a profit."

Working of the Corporation

The Annual Report of the C.D.C. for 1951, according to the Financial Times was "a tersely written document with a refreshing pungency." It succinctly described the swelling of the

(previous footnote cont'd.)

lay down strict lines of demarcation between projects which fell into the sphere of general colonial welfare and those which a commercially-minded C.D.C. should support.


517 H.C. Deb. 5s. col. 2230, 16 July 1953, Lyttelton. Lyttelton said: "When the C.D.C. explore a tin mine, I ask them at what price the mine could live, and if that price is £200 or £300 above the market price, my answer is that capital support should not be given. We should not permit development of projects on which we know there is likely to be a loss." Ibid., col. 2281.


Financial Times, 3 May 1952.
Corporation bubble and its bursting in a total deficiency of £3 million for the year 1951. It expressed the belief that 1951 should constitute the peak of the Corporation loss and mark the end of a stage. The total consolidated deficiency since the inception of the Corporation was then £4.6 million, and the main causes for it were to be found in the amount of £3.4 million which related to abandoned and depreciated undertakings and projects. By 31st December 1961 there were 53 undertakings in operation -- an increase of three on 1950, with liquidation of five undertakings: Atlantic Fisheries, Gambia Poultry Farm, Gambia River Farms, Marudu Rice Farm and Nyasaland Fisheries Ltd. The functional distribution was:

<table>
<thead>
<tr>
<th>Division</th>
<th>Number</th>
<th>Capital (£)</th>
<th>Sanctioned %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>16</td>
<td>9,628,350</td>
<td>27.0</td>
</tr>
<tr>
<td>Animal Products</td>
<td>3</td>
<td>2,716,000</td>
<td>7.6</td>
</tr>
<tr>
<td>Factories</td>
<td>6</td>
<td>4,412,000</td>
<td>12.4</td>
</tr>
<tr>
<td>Fisheries</td>
<td>4</td>
<td>978,500</td>
<td>2.7</td>
</tr>
<tr>
<td>Forestry</td>
<td>4</td>
<td>3,934,361</td>
<td>11.0</td>
</tr>
<tr>
<td>Hotels</td>
<td>2</td>
<td>210,000</td>
<td>.6</td>
</tr>
<tr>
<td>Minerals</td>
<td>5</td>
<td>3,171,000</td>
<td>8.9</td>
</tr>
<tr>
<td>Works</td>
<td>3</td>
<td>233,800</td>
<td>.6</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>3,715,283</td>
<td>24.4</td>
</tr>
<tr>
<td>Services</td>
<td>2</td>
<td>1,730,000</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53</td>
<td>35,729,294</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The Report said that "deliberate policy is to look for experienced private enterprise partners to share in investment and in management" and that financial participation of Colonial Governments "is almost always sought." The essence of colonial development, as the Report pointed out, was "adventure and risk", "a long wait and problematical returns." The Corporation was, therefore, intended to fill the gap left by the hesitation of investors. But it was not expected to embark on such vain glorious failures as the groundnuts and the Gambia egg scheme.

The story for 1951 was, therefore, of the burial of a past legacy (as far as it could be buried), the learning of lessons, and of "adjustments and abandonments" and promised to have a different story in the following year, under the new management even with its heritage of financial deficiency and notoriety.

On 28 May 1952, the Annual Report of the C.D.C. for 1951 was debated in the House of Lords. During the debate Lord

110 Editorially, the Daily Telegraph (3 May 1952) said:

"After all, the true purpose of the Corporation is not to develop the Empire by its own efforts alone, or to attempt to make quick profits by wild-cat schemes; but rather to open the Empire for development by suggesting new lines of approach, by cooperating wherever possible with private enterprise and territorial governments, and, in general, by reducing the risks and rigours which have so often in the past made investment in the colonies unprofitable. This is the view which seems now to be generally accepted at the Corporation's headquarters, and it is surely the right one. Little return to the Corporation may be expected from activities along these lines; but some may in time accrue to the nation and the colonies."
Munster, the Parliamentary Under-Secretary of State, said, while it was not the function of the Government to supervise the detailed carrying out of each individual scheme undertaken by the Corporation, it was their duty to safeguard the taxpayer from wild and extravagant schemes. Before large sums were advanced, he, therefore, said, the Government should satisfy itself that the Corporation had thoroughly examined the pros and cons of any scheme; had allowed for risks and was capable of implementing what it set out to do. To this end the Government had decided that two major conditions should be fulfilled before they sanctioned any new scheme: that enough information should be provided to enable the Colonial Secretary to judge whether a prima facie case for the project had been made out; and that, as a general rule, someone else beside the Corporation should share in the risk, whether it be private enterprise in Britain or overseas or a Colonial Government itself. Thus, while summing up the Government's policy towards the Corporation, Lord Munster said:

"First, the Colonial Development Corporation must be given more time to prove itself. Secondly, in present circumstances it is in the Corporation's own interest, and that of the Colonies, to keep speculative projects down to a minimum. Thirdly, it must

111 H.L. Deb. 6s. col. 1604, 23 May 1952, Lord Munster.

112 Ibid., col. 1611, 23 May 1952, Lord Munster.
continue its efforts to put its house in order... Fourthly, the Corporation is only one of the agencies of colonial development. It was set up to deal with commercial-type projects. Non-commercial-type projects were the function of Government through Colonial Development and Welfare and through local public funds. Fifthly, and lastly, making capital available to the Corporation on artificially favourable terms could not be justified, especially in present conditions."

In a debate in the House of Commons on colonial affairs on 17 July 1952, Lyttelton supplemented Lord Munster's remarks by stating that "save in exceptional circumstances, sanctions will not be given unless one of...four criteria...is satisfied. They are: First, is the Colonial Government in whose territory the project lies willing to participate in it, if it has the money to do so? Secondly, where there is local knowledge and where there are local experts, have they been mobilized, so to speak, and are they to be on the board of the operating company in that territory? Thirdly, where there is local capital, has it been offered a participation and has it been accepted? Fourthly, has the Corporation tried to associate with itself any company in the United Kingdom or elsewhere carrying on the same kind of business?"

The C.D.C. Report for 1952 was even more disappointing

113 503 H.C. Deb. 5s col. 2373, 17 July 1952, Lyttelton.
than its predecessor. It frankly said, whereas the previous Report had said that 1951 should see the peak of loss, "events have taught us better". Clearly, the Corporation had continued to concentrate on trying to cope with the legacy of the past and on tightening up the administration. Eight projects were abandoned. Nine new ones had been taken up; but five of these were merely investigations, and the other four were loans involving the Corporation in no field work; so, the year had been the cautious one. New projects, the Report said, must be taken up "only on a strictly commercial basis", but it also meant virtual exclusion of some types of desirable development among them the very types which the Corporation was founded to encourage. Agricultural settlement schemes were likely to be the chief sufferers. The Report, therefore, went on to suggest that, "to an extent approved, it should be able to finance projects that are of great value but unlikely to be profitable", and that such investments should be separately accounted and "judged on other than a profit basis." Commenting on this, The Times said: "The Corporation was intended to cover a borderland of financially self-supporting development which for one reason or another was supposed to be neglected by commercial enterprise. Perhaps this borderland is not so large as was thought. But, if the Corporation enters the non-commercial field, the projects which it

115 The Times, 12 May 1953.
proposes must compete for priority with those sponsored by the Colonial Development and Welfare Fund, and the decision on priority manifestly belongs to the Colonial Office. It is not, indeed, usually desirable that the self-supporting investment and welfare grants should be administered by the same management, since the habits of mind appropriate to the one blur its judgement on the other."

During 1953, the tidying up process initiated by Lord Reith on taking over the chairmanship was still going on. In the words of the Report, operations in 1953 were mainly devoted to "disentanglement and reorganization, buttressing, scrapping and otherwise modifying" and this process was by no means complete then, though the Corporation hoped that it would bear fruit by the end of 1954. But the Corporation was not to be panicked into fuller or quicker reaction than was considered prudent "just because too much was attempted too quickly in early years." There was new emphasis in the Report on the need for more thorough preliminary investigations and pilot schemes, and it was encouraging to see that collaboration with private enterprise was increasing -- though not fast enough. The Corporation were avoiding projects that involved management and concentrating on investment projects, where the managerial responsibility was in specifically experienced hands. But even

for more ordinary investment, The Times said, the field was not as fruitful as had been supposed. It observed: "Experienced private businesses have been more active in the colonies and have left fewer opportunities for the Corporation than was expected at the time of its formation - a time when people's minds were obsessed with the memory of the stagnation of investment in many colonies between the wars." The Daily Telegraph reached more or less the same conclusion as The Times, when it said: "It is by now apparent that the objectives originally assigned to the Corporation were in great part non-existent. It was assumed that between the spheres customarily allocated to Government and private enterprise there lay in the Colonies a sort of no man's land, which both sides were afraid to develop but from which none the less reasonable returns were to be expected. In this no man's land the Corporation was designed to operate at a profit. As it became apparent that the initial assumptions were ill-founded, the Corporation was forced either to confess defeat or to launch out into fields where no profit was likely. It chose the latter course, with political expediency deciding to a great extent where the money was to be spent. Economic logic, however, expelled through the door, returned through the window. Schemes collapsed frequently - under the sterner regime of Lord

117 The Times, 8 May 1954.
118 Daily Telegraph, 8 May 1954.
Reith, more frequently still – spreading disillusion throughout the colonial world.” And further “changes of objective were paralleled by bewildering changes of organisation. The Corporation has been centralised, decentralised, recentralised and re-decentralised. The administration has been subdivided in turn by functions, by regions, and by both simultaneously. Enormous offices were brought one day and sold the next; practically in the same breath officials were informed that they were essential and redundant. All to no avail.”

However, in 1954, the Corporation showed a net income from its continuing projects, including investment income, of £166,775, compared with a loss of £130,088 in the previous year. Nevertheless, the Corporation’s net operating loss, in 1954, was £85,946, compared with £403,334 in 1953 and £836,277 in 1952. This prompted the Deputy Chairman of the Corporation, Nutcombe Hume, to say, at the Press Conference in London, that the Report had “a new look and a much better look than any that has yet been produced.” In addition to the reduction in the net operating loss and the emergence for the first time of a net income for projects, the Corporation could announce that, of the 56 projects and investigations it then had underway,


120 Manchester Guardian, 29 April 1955.
fifteen had reached the trading stage - an increase of five over the total for the previous year. In 1954, Parliament had agreed to waiver of interest on capital lost on abandoned projects, but the C.D.C. felt unable to accept a capital write off on terms which would have given the C.D.C. not much more than half what was in its opinion fair. The Corporation had a statutory obligation to pay its way, taking one year with another; until reasonable relief was given, "the legacy of the past", the Report said, "must be a factor in C.D.C. policy for the future."

In 1955, for the first time since its foundation in 1948, the Corporation was "out of the red" and showed a gross profit of £716,000, out of which £307,000 was paid to the Colonial Office as interests on loans. This left a net profit of £409,000 as compared with losses of £511,000 in 1954, £1.3 millions in 1953, and £4.8 millions in 1952. Almost every project operated by the Corporation showed an improvement. The Corporation's Annual Report emphatically denied the suggestion that there had been little new development in the previous years because of preoccupation with clearing up of the past. Summarising the position of the Corporation, Lord Reith said that "1955 saw an effective end to the redressing-up process: what remains is by and large a commercial risk - or rather a

calculated risk - : good management with reasonable luck should pull most of the doubtful ones through, but some failures are inevitable." He mentioned that the losses "which would not have occurred had an efficient and experienced organisation been built up before C.D.C. spread itself into the world-wide operations" had been estimated at £6.2 million. This was for "pre-1951 commitments rashly undertaken or badly managed, abandoned wholly (some 20) or in part." The Corporation also decided to put the losses which increased from £6 million in 1954 to £8 million in 1955 into a "special losses account".

A strong complaint was, however, made over the Corporation's activities in helping territories with house and road building. And in October 1955, the Corporation was informed that the Overseas Resources Development Act was then so interpreted that projects of this sort that had been approved by

Commenting on the Report, the Manchester Guardian (26 April 1956) said:

"The earning of a profit is a considerable event in the Colonial Development Corporation's history. For a time during 1950-51 it must have been touch and go whether the whole scheme was dropped. The performance of the Corporation under Lord Reith's leadership has justified the faith of successive Governments in preserving with the idea."

The Times (26 April 1956) also said: "For five years past, Government and Parliament have merely had to watch the efforts of Lord Reith and his board to clear up the debris of the past and hope that those efforts would be reasonably successful - as they have now proved to be. But now that the Corporation has scrapped off the barnacles and is ready to set sail again, more positive thinking will be required, and on some matters definite decisions will have to be taken."
successive Colonial Secretary for Malaya, Kenya, Rhodesia etc. had been ruled *ultra vires*. They were held not to be "projects" within the meaning of the Act. The Corporation, after taking legal advice, had declined to accept the official legal view, but it had had to default on both legal and moral engagements, embarrassing the CDC's partners and associates. But later, the Overseas Resources Development Act, 1956, which received the Royal Assent on 2 August 1956, validated past activities of the Corporation and redefined the functions of the Corporation, in order to avoid doubts arising in future.

In 1956, there were 66 continuing projects and investigations as against 63 in the previous year and the finances of the Corporation continued to improve for the year. In August 1956, the Corporation was informed that the Government "had in mind" that no new projects should be started after a Colony became independent and at end of November 1956, the Corporation was told that certain new schemes under examination for the Gold Coast and Malaya were to be arbitrarily excluded, and that no new proposal was to be submitted - eight months ahead for Malaya. The wisdom of including clause 3(4) in Ghana Independence Bill was challenged in both Houses of Parliament on the ground that it appeared to deprive Ghana of all prospect of United Kingdom Government funds for development. The

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implications of this were debated in the Committee stage of the Bill, and some speakers, notably James Griffiths, pointed out that Ghana and Malaya were likely to get their independence in 1957 and others in 1958 or 1959. If the Corporation were seen to be dwindling as the Colonial Empire contracted, it would become difficult for it to maintain staff or perhaps even customers. Speaking for Government, John Maclay, Minister of State for Colonial Affairs, argued that when a Colony assumed the status of independence, the special responsibilities of the C.D. & W.F. and C.D.C. must cease -- along with the control which hitherto went therewith. The creditworthiness of Ghana would be the responsibility of the Ghana Government, not of the Colonial Office. But it was agreed that a special interest in -- with some moral responsibility for -- the emergent colonies must continue after independence and that a governmental financial organisation might well contribute to capital development. Commenting on this Lord Reith said: "It is surely commonsense

124 562 H.C. Deb. 5s. cols. 1181-3, 18 December 1956, John Maclay.

125 H.C. Paper 151/1956-57, The Colonial Development Corporation: Annual Report and Statement of Accounts for the year ended 31.12.1956. The Times (9 January 1957) said: "The CDC's role in the new independent territories would always be secondary to its colonial responsibilities. In the independent countries the C.D.C. would be only one of several contributors to development and would be acting alongside, for example, the World Bank and the Commonwealth Development Finance Company. In financing these territories,

(footnote cont'd....)
that the now established, efficient and profitable C.D.C. should be permitted to invest in emergent and emerged territories; C.D.C. has been assured on behalf of both Ghana and Malaya Governments that it would be a great pity if emerging members of Commonwealth were, at a critical stage, to be deprived of help of the experienced CDC personnel; of course 'colonial' would have to come out of C.D.C. title."

In 1957, the Corporation worked at a profit for the third year in succession. The Annual Report gave the net profit for the year as £732,868, compared with £572,809, in 1956. The C.D.C. could, therefore, claim to be established as an over-all profit-making concern with its 76 continuing projects, compared with 66 in 1956, even after meeting the first shock of the fall in colonial primary produce prices. The trend of the years 1954-55 towards more basic development (power, housing, transport, and communications) and away from agriculture had also reversed. This was due to the Government policy restricting public corporation borrowing from the C.D.C. for such purposes and to rising

(Previous footnote contd.)

moreover, the C.D.C. would not enjoy the priority for scarce funds that it enjoys for colonial projects but would like its place in the queue for claimants along with other organisations wishing to raise capital for Commonwealth investments."

expenditure in normal course on the C.D.C's own primary projects.

In a statement in the Commons on 1 July 1957, Lennox-Boyd said that Her Majesty's Government had decided that, as in the case of Ghana, the Corporation should not undertake new projects in such territories after independence. The Corporation would, however, be permitted to continue with schemes existing at the date of independence, and if necessary to provide further capital for these schemes after that date. It would also be enabled, on the request of the Government of any independent member of the Commonwealth, to undertake the management of any project on a managing agency basis, without commitment of the Corporation funds. The Government, he said, intended to introduce legislation to give effect to these decisions as soon as possible by amendment of the Overseas Resources Development Acts. Later, the Act was amended in March 1958 which raised the Corporation's borrowing power from £100 million to £150 million and legislated for its activities in the newly emergent territories such as Ghana and Malaya, where as a purely colonial agency, it would have been debarred from operating under the old Act. The Corporation had powers to provide additional capital for existing projects and to act as managing agents, or advisers, for new ones, but it was debarred from providing capital for new schemes in independent Commonwealth

127 572 H.C. Deb. 58. col. 82, 1 July 1957, Written Answer, Lennox-Boyd.
Thus, from the study of the Annual Reports, it appears that the Corporation's activities had passed through three phases. In the first phase, the emphasis was on projects directly owned and run by the Corporation, particularly projects for the production of food or growing of timber, and where little or no return on capital was expected for some time. Some money was advanced by way of first mortgage debentures, but this was not regarded as being the larger part of the Corporation's field of activities. The first phase was already over when the Conservatives came to power. In the second phase, many of these early projects were abandoned, mainly in the years 1951-53, and there was a greater emphasis on investments in public utilities under Colonial Government guarantee so that by the end of 1956, 13 projects out of 66 were for agriculture and a further 5 for fisheries and forestry, representing in all 30 per cent of the capital employed (26 per cent of the capital approved) whereas 15 projects were for power or transport and communications, representing 33 per cent of the capital employed (40 per cent of the capital approved). There was no doubt that the shift in emphasis in this period to the increased use of straight loans was influenced by the fact that while many of the early projects were clearly not going to be successful and should be abandoned,
the Corporation was still under obligation to repay over 33 years the capital advanced on long-term loans for these projects. During the third phase, from 1956 onwards, the emphasis had swung more to partnership arrangements either with private enterprise or with local Governments or with statutory bodies, and there had been comparatively little straight loan business. On 27 July 1956, during a debate in the Commons, Lennox-Boyd, while stressing that the making of loans of the "finance house" type was both legal and necessary if the Corporation was to pay its way, gave an assurance that the Corporation, in consultation with the Government, would do all it could to see that these loans did not constitute an undue proportion of the Corporation's activities, but bore a reasonable relationship to its more directly commercial ventures.

The task of C.D.C., however, was not an easy one. The Corporation was established in the early post-war years when there was an acute shortage of both human and material resources. Public enterprise in this particular field was "a pioneering venture", and there were "few precedents from which to obtain guidance." The Corporation's terms of reference enshrined in


130 557 H.C. Deb. 5s. cols. 825-6, 27 July 1956, Lennox-Boyd.

the Overseas Resources Development Act, 1948 clearly showed that it would play a marginal role by filling a gap between private investment and governmental development in the colonies. In other words, it had to operate in a field which, in the light of the urgent needs of the colonies, had not in the past encouraged private enterprise, and it had also to undertake development on a commercial basis not suited to governmental activity. That meant greater risks which ordinary commercial firms would be hesitant to take. In its early years as a result, the Corporation launched some large schemes which failed and resulted in heavy financial losses. But during the Conservative administration, the Corporation moved cautiously and applied commercial principle of profitability in a stricter sense. Consequently, in 1955 it was able for the first time to show a profit in its annual accounts. This result, however, had not been achieved without criticisms in Parliament and elsewhere that the Corporation was being too cautious; that it was undertaking too much 'finance house' business and too little direct development.

132 In an interview Lord Keith told me: "When I became chairman of the C.D.C., the position of the C.D.C. was not good. It was running into losses. Within my six months term, we had to abandon Gambia Egg Scheme. Earlier they did many foolish thing.... Lord Trefgarne (my predecessor) had a wretched staff and undertook some projects against the Government's advice in which it was very unlikely to make profit because of a desire to do great many things in the early years." Interview with Lord Keith in London, on 14 April 1970.
During a debate in the House of Lords on 28 May 1952, Lord Listowel rightly pointed out that "most of the future economic development in the colonies lies in the field of marginal profitability", where development would inevitably be "extremely costly" and of "long delay". It was a field "unattractive to private enterprise and unsuitable for Government." And if the financial directives were unchanged, the Corporation would be forced to trespass increasingly on the high profitability field, narrow as it was, of private enterprise. That would cut down its operations to a bare minimum, and turn it away from the riskier projects where the main prospect of development lay.

Profitability, Lord Keith said, was not a supreme test for the C.D.C. at all, but it had to be a considerable test as number of things would not be profitable to set off losses. Also, the financial structure of the Corporation had no provision for a buffer of equity capital. The Corporation had repeatedly called attention to this anomaly in its Annual Reports. In the Report for 1951 (para. 5), it said: "The Corporation is constituted to operate commercially, but its financial circumstances and conditions are at variance with commercial practice and

133 176 H.L. Deb. 5s. cols. 1603-4, 28 May 1952, Lord Listowel.
134 Interview with Lord Keith in London on 14 April 1970.
purpose; the crucial distinction lies in the fact that the capital structure includes no ordinary shares, but only debentures; the crucial result is inelasticity; moreover any loss – the normal result in the first phase of development – means failure to fulfil the obligation to pay interest and principal." Besides this, the structure which was inappropriate for risk-taking, left no margin for investigations, pilot schemes, and basic development like roads and communications, which must often precede productive development.

While delivering the Thomas Holland Memorial Lecture at the Royal Society of Arts, London, on 12 April 1956, Sir Nutcombe Hume, Deputy Chairman of the C.D.C., gave some of the lessons that stood out from the Corporation's experience. He said:

"There is in the world to-day widespread urge and a vital need to develop the under-developed areas of the world; energetic action is called for; all kinds of international organisations and local development Corporations have been set up, all making demands on available resources of capital and man-power. But one thing is clear, there can be no short cuts to development, particularly in tropical countries. If projects are to be economically sound and worthwhile there must be a cautious and

realistic approach. In this respect the commercial discipline under which the Corporation works is salutary. Proposals for immediate large-scale development must be looked at with much scepticism. There must often be several years of patient experimentation and trial before it can be known that a given crop or a mineral can be produced on a worthwhile scale. All this means delay and is expensive; therefore there must be some certainty that the ultimate return will be such as to justify the cost of experiment and development; there must be detailed research into markets and the closest possible forecast of prices... Particularly in tropical agriculture, which is the basis of many colonies' economies, too little is known about the soil, about plant and animal diseases, and about the vagaries of climate and rainfall for large schemes to be launched successively in a hurry. A great deal more has yet to be learned about the economics of mechanised agriculture in the tropics. Land settlement schemes often look attractive socially and politically, but unless there can be introduced an element of non-returnable finance such as C.D. & W. grants, such schemes will generally be outside the Corporation's field.... Another outstanding factor in colonial development...is the vital need for honest and competent management on the spot. There are not enough qualified and competent men of the right calibre for all the jobs that want doing. Wherever appropriate the Corporation seeks to bring in established private enterprise who already have a tried organization and an
experienced staff to act as managers, but even this is not universally successful or always necessary."

Appraisal

The appointment of Oliver Lyttelton -- a skilful and successful businessman -- in the Churchill's Cabinet, in 1951, was generally regarded, an attempt by the Conservatives to hold economic development in the Colonies of sufficient moment to demand the whole time attention of a Minister of the first rank. Economic development was at the root of all colonial advancement and had, in the two previous Labour Governments, tended to suffer from being delegated as a special interest to one of the subordinate Ministers at the Colonial Office. In its election manifesto, the Conservative Party promised: "To foster commerce within the Empire we shall maintain Imperial preference. In our home markets the Empire producer will have a place second only to the home producer." Lyttelton himself admitted that there was no other field in which expansion could be more readily made than a development and expansion of the production and trade of the colonial territories.

Both the Conservatives and the Labourites were committed to a policy of "development and welfare". And there was "no party politics" in the sphere of economic development, although

138 The Times, 3 November 1951.
there were differences of approach. In the main, the Conservatives believed in the necessity of an imaginative and bold policy of colonial development to take full advantage of the economic situation created by the then increasing demand for primary products, and above all food, in Britain and all over the world. This, they hoped, would not only bring the possibility of much greater social services, health and prosperity to the territories but might do to re-adjust the economic balance between the Old World and the New. For this purpose, the Conservatives immediately ordered two studies: first, an assessment of the contribution of the colonial territories to world shortages in the short-term; and second, an assessment of the possible capital demand over a short period. And when the first study showed that there was some prospect of increasing supplies, in the short-term, of copper, cotton, manganese, petroleum, pyrites, sugar, timber, vegetable oil and oil seeds, in all nine commodities, they decided to concentrate on the expansion of these commodities to get results quickly. But there were other ten commodities -- aluminium, iron ore, lead and zinc, tungsten, pulping materials, hides and skins, bananas, tea and tobacco -- which they discovered, could be produced at medium or long-term level. Thus, the Conservative policy was to expand the production of the above mentioned commodities in the Colonies over a short and

140 This was admitted by Lennox-Boy in the Commons. See 535 H.C. Deb. 5s. col. 488, 3 December 1954, Lennox-Boy.
long-term period. Lyttelton was more emphatic about this. While addressing the Advertising Association Conference at Brighton, he said: "It was our duty to bend all our efforts to develop the resources of our great colonial territories", but he hastened to add: "At the same time, we wanted to see British goods, and textiles in particular, find a ready market in the colonies."

The second study showed that until 1955, the shortages of capital would not be a predominant factors in colonial development. Nevertheless, over the next decade it seemed to the Colonial Secretary to be axiomatic that Britain would not have enough capital to develop the colonial territories at a rate which she should desire. It seemed, therefore, a sensible policy to the Conservatives to try to bring in foreign capital and, above all loan capital, provided that in doing so, Britain did not sell the birthright of the Colonial peoples to other nations. Capital was the most difficult problem, but it was not the most immediate.

In the Conservative's programme, there was an emphasis all through on the peasant farmer, the peasant proprietor - the central figure of the agricultural economy, and there was no intention of displacing him. Although agriculture remained the prime source of wealth in the colonial territories, the Conservatives realised that mineral development and the extracting

141 The Times, 12 May 1952.
industries would have to be developed side by side with it. Secondary industries should be encouraged if they were natural and healthy, but they, the Conservatives said, ought not to be artificially forced, and, above all, those which served primary production should be helped.

With regard to industrialisation, the Conservative policy was very much in conformity with the principles expressed in a report on the subject by the Secretary General of the United Nations "that industrialisation is not an end in itself but that the ultimate if not the immediate aim of economic development, and therefore, of industrialisation, is the raising of average levels of living", and that "individual freedom of economic decision is an important element in human welfare." Thus, it had been the policy of Conservative Government to promote industrial enterprises, not as something to be supported uncritically on a priori grounds, but to the extent to which they were likely to be economically viable in the long run. Also, the growth of industry in the colonial territories on any sizeable scale as an economic proposition was not considered feasible for various reasons, including shortage of fuel and power, ferrous metals and skilled labour. But in the Conservative view, the development, in a number of the colonial territories, of an extensive

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range of lighter industries, producing mainly for the home market, was a stage in the provision of an economic basis for heavy industries.

In regard to trade, in general, the policy of Conservative Government was aimed at an expansion of world trading, at multilateralism, and adherence to the GATT, with no restrictions or discrimination in trade. In the Conservative view, the real prosperity of the Colonies depended, then, five years ago, and would depend in the future, on the creation of favourable economic conditions in the Sterling Area as a whole. In short, the Conservatives believed that the welfare of the Colonies themselves must depend upon a healthy world trade. And the effect was that the colonial economies were exposed to the full blast of world price fluctuations in primary products which these territories produced.

Also, when the Conservatives came to power in 1951, one of their declared objectives was to dismantle the Labour's system of state trading and restore the private trading as far as possible, except where long-term guarantees to colonial territories necessitated other means. The Conservative Government carried out its policy and by February 1955, only the really long-term contracts for colonial products remained into being. The Commonwealth Sugar Agreement whose term was later extended to December 1962 was one of them and was still and is of major importance. But the trade in many foodstuffs had reverted to
private importers, e.g. in bananas, grapefruit, sago, cocoa and tea. Also, during 1953 and 1954, the Conservative policy was to reduce the restrictions on imports of non-sterling commodities in the United Kingdom. This brought the colonial commodities like bananas, essential oils, citrus juices, coffee, oilseeds, vegetable oils and timber into competition with those of the United States, Central and South America, Israel, Spain and Canaries. The effect of Conservative policy, thus, had been to throw the whole responsibility for the marketing of primary products on the Colonial Governments. The result was the revival of old phenomena of price fluctuation. And the tariff concessions offered a little relief.

In 1955, the Conservatives took the credit for passing a new Colonial Development and Welfare Act which extended the life of the previous C.D. & W. Acts until 31st March 1960, providing further £30 million, and together with the unspent sum of £40 million, the Act provided a total of £120 million for the years 1955-60. Although to some extent this was an extension of the Labour Party policy, strong doubts were expressed, during a debate in the Commons, by the Labour M.P.'s as to whether the money provided was sufficient for the purpose, taking into account the fall in the real value of money. It was essentially the grant -- a gift -- from the British Treasury for basic services which would make a direct contribution to the expansion of the territories' resources.
In the Conservative scheme of things, there was an emphasis on private enterprise — the Conservatives, by tradition, believe in economic development through private enterprise. And they left economic development in the Colonies largely to private enterprise and their economic philosophy accounted largely being content with "holding the ring" in this way. But private enterprise, because of the risk of political unrest, invariably tended to look for "high profits and quick returns". Also, it was very easy to find private capital for extractive industries, but these did not necessarily help to build a balanced economy.

During the Conservative administration, the public corporations -- the Overseas Food Corporation and the Colonial Development Corporation -- initiated by the previous Labour Government, had been either allowed to run down or changed drastically. The previous Labour Government had already announced in January 1951, its decision to abandon the original scheme of growing groundnuts in Tanganyika which had been widely criticised for its failure, and in its place to introduce an experimental scheme for investigating the economics of tropical farming to be run by the Overseas Food Corporation in areas of the previous scheme. And while the Corporation was engaged in this new venture getting sad reminders, during the first three years, of the relic of the splendours of the past mistakes, in the form of annual Reports, the Conservative Government, in 1954, announced that an agreement was reached between the Tanganyika Government
and the Colonial Office to transfer the remaining enterprise of the Overseas Food Corporation to a new body -- the Tanganyika Agricultural Corporation. Later, in 1955, this transfer was effected, thus, making it an ordinary C.D. & W. scheme. And that was what the Conservative Party, when in Opposition, always maintained, it should be. Because they had little faith in a public corporation where the risk of the British taxpayers' money was more.

The Colonial Development Corporation whose object was "to establish or assist any enterprise in the Colonies which is designed to increase their productive capacity", showed confusion of mind regarding the proper functions of the C.D.C. existed from the start. Projects which might increase productive capacity might not commercially be profitable, and the result was that the C.D.C. incurred heavy financial losses in the early years. But under the Conservative administration, the Corporation moved cautiously to play a marginal role by filling a gap between private investment and governmental development in the colonies and applied commercial principle of profitability in a stricter sense. Consequently, in 1955 it was able for the first time to show a profit in its annual accounts. But this result had not been achieved, however, without criticisms in Parliament and elsewhere that the Corporation was being too cautious; that it was undertaking too much "finance house" business and too little direct development.
When Lyttelton became the Colonial Secretary, it was generally assumed that he would devote himself principally to economic development. But, in fact -- largely again through force of circumstances -- he and his successor Lennox-Boyd concentrated on politics and left the economic pattern to settle itself. Also, colonial development was a difficult task; its aims and methods would always be subject to a great deal of misunderstanding. The rise of Nationalist feeling throughout British Africa and other colonial territories was both natural and desirable, since it exhibited a desire for the responsibility which accompanied the privileges entailed in self-government. But this was also responsible for mutual mistrust which found an expression in the C.D.C.'s Report: "It might be as well to state, however, that a changing political outlook especially when it is brought about by stimulated agitation against British political influence, and in some cases even against European participation in commercial development, does not make a favourable atmosphere for raising the economic standards of any territory."

143 The Times, 30 July 1954.