

cent example of the arms race that began in the mid-1930s.

Rearmament in pre-war Britain had the effect in the two years up to 1937 of re-launching the battered engineering industries and producing a subsequent boom in consumer industries. Peter Ludlow, a leading economic historian, reckons that at the outbreak of war the UK was in fact on a more developed war footing than Germany, where the arms build-up had had similarly beneficial effects on the economy. For the German working man the benefits of rearmament were considerable. As Hitler contemplated the invasion of Britain in 1940, German workers were holidaying on the beaches of Northern Europe in record numbers and free collective bargaining had just been introduced.

Defence spending is often said to be the only form of demand management, stimulation of the economy, that conservative governments consider respectable. The Reagan administration's planned boost to arms production while slashing almost all other public spending is a prime example. Yet the notion that Western governments will be increasingly seduced into spending a Soviet Union-style 11-13 per cent of GNP on military hardware and defence still begs a single question.

Who is going to fight whom? And why, or for what, would they fight? There are, among the major economies, no clearcut enemies that the Western industrialised powers can identify as dyed-in-the-wool political villains comparable to the fascist states of 45 years ago or the worldwide 'conspiracy' of the Communist International. An objective analyst would probably conclude from a look at the post-war nuclear age that Moscow's behaviour has been overall as cautious and responsible as that of Washington and the other NATO powers, and that only a threat by the Warsaw Pact against the Middle East oilfields would represent a genuine *casus belli*.

At the same time, most people would consider it inconceivable that, even without the buffer of the Common Market in its present form, France and Germany would ever again go to war. It seems still less likely that the Europeans as a whole would find their interests so opposite to those of North America that some sort of transatlantic conflict could ensue. While Japan might represent a more probable enemy, not least because of the underlying racism of both sides and the still raw memories of World War II, the Japanese are at present not heavily enough armed to be a viable foe.

All these are reassuring points. There are others less so, and beyond them lies the spectre of an economic collapse as swift and widespread as that of the early 1930s. If that decade has any lesson to teach, it is that in the flux following a breakdown in international co-operation a new and volatile breed of politics is quickly born. The 30 wars at present being fought around the world – often called the 'proxy' wars that help provide a safety valve for the rivalries of the super-powers – would almost all provide a short fuse in a world grown tense. □

These extracts are taken from Giles Merritt's book World out of Work, published this week by William Collins, £2.50.

FALKLANDS

After the war is over

Several initiatives to evacuate Islanders from the battle zone came to nothing. DUNCAN CAMPBELL and STEVE WALKER ask whether the wishes of the Falklanders really count anymore

WHEN THE SMOKE clears from the ruins of Port Stanley, the government finally will have to explain to the Falkland Islanders, the British and the world what the battle was all about. The British government has stressed the 'paramountcy' of the islanders' views on the Colony's future.

The mechanism for the seeking of views is, presumably, a referendum – an uncomfortable problem for the Foreign and Commonwealth Office, since it has already been resolute in ignoring any expression of the islanders' views. The government ignored three separate requests for islanders to be evacuated before the battle. On various excuses they have rejected not just the pleas for evacuation but concrete proposals which had been made.

One such proposal has not previously been reported in Britain. There are on the Islands some 30 members of the Baha'I religion, mostly United States citizens, who recently settled in the Falklands, valuing their remoteness. The US government sought to make arrangements to remove them from an imminent war zone; and offered to arrange for an aircraft or ship to pick them up. The Baha'I members, who have by all accounts established a friendly relationship with the other islanders, said they would not leave unless evacuation were available to all. The US government did not object to this, but someone – the Foreign Office, Argentina, or most likely both – did. The Baha'Is, therefore, remained on the Falklands.

Margaret Burkett, an agronomist recently evacuated from the Islands, spoke last week about the three pleas for evacuation. We have independently confirmed two of these. The first is well known. A second came via the Islands' medical officer's wife. In the first plea, 18 islanders and officials signed the letter which was brought out through Montevideo on 8 April. It was dismissed out of hand as evidence of Island opinion by the Foreign Office, most vigorously by the expelled Governor, Rex Hunt. It was argued that although a majority of the signatories were long-standing resident islanders none was an elected representative.

This was a distortion of the actual situation. Had it not been for the obvious difficulties of communication during the Argentine invasion, the note would probably have been signed by all the elected members of the Island's Legislative Council. Most of them were back in their homes,

however, and the note was signed only by one ex-officio councillor and other officials who attended one of a series of meetings of the Falklands government staff a week after the invasion. But for his absence elsewhere also, the note would undoubtedly have been signed by the Islands' Chief Secretary, Dick Baker, the senior government administrator.

When the Islanders' views are finally taken, the Foreign Office may find that this refusal to take seriously evacuation requests of those who are now being liberated will rebound on it. If one of the questions in a referendum were to be: 'Would you accept a subsidy to leave the Islands and settle elsewhere?', a large number would be certain to answer in the affirmative. Therefore, it is unlikely to be one of the questions asked. It would undermine the whole basis of the war.

Within the Foreign Office, there has been no serious long-term discussion of the islanders' future with the former Governor or expelled government staff. The War Cabinet, clearly, aren't interested. There is even some doubt as to whether the former government of the Falklands – excluding the Governor, of course, whose symbolic return will be a necessary show for the TV cameras – will be returned. In order to sustain Mrs Thatcher's determination to secure military success for its own sake, it may very well be necessary to send out a replacement team of trustworthy Whitehall staff to ensure that the islanders do not express their 'paramountcy' by speaking out of turn about quitting after 'liberation'.

Tentative proposals for new industry and settlement on the Falklands are being discussed. The most profitable organisation at this moment, however, is the Falklands Islands Company (FIC), which owns 46 per cent of all Falklands land, in eight huge farms. It employs 80 per cent of the non-government employees on the Islands, some 750 people.

Although half of the farming land, and the 650,000 sheep thereon, belong to other companies and landlords – almost all of whom are absent in Britain or elsewhere – there have been no serious moves towards wider land ownership, despite recommendations by Lord Shackleton in 1976. FIC continues to dominate the economy through its operation of the shipping to and from the Islands, as it purchases and transports almost all the wool produced. Until the British government paid £4.2 million for the development of the airport at Port Stanley in order for the Argentinian (military-run) airline, LADE, to fly a weekly air service, the FIC's charter ship once every two months was virtually the only means of communications with the world.

Both the Ministry of Defence and the Overseas Development Ministry have now begun planning for new work they will do on the islands. Some of the merchant ships now requisitioned and despatched to the South Atlantic are loaded with Royal Engineers and building supplies. Their first priority will be the construction of thousands of 'temporary billets' for troops to maintain the much enlarged garrison. Many islanders, meanwhile, will have to be cajoled or persuaded to stay put, if the whole venture is to avoid appearing substantially pointless. □