necessary sums in the form of the sterling balances accumulating in London.... By the end of the war, these balances had accumulated to the tune of £2,723 millions.[1]

Between the countries of the sterling area, which offered to Britain extensive financial accommodation, and the United States of America, which offered her no financial accommodation at all, there emerged an intermediate group of countries which, on calculation of their own interest, were willing to make specific payments agreements with the United Kingdom. Of course, not all the payments agreements concluded in the opening months of war were prompted on the British side by strict considerations of supply: some of them served the purposes of economic warfare, and were concluded mainly with the intention of denying supplies to Germany. There were in addition two exceptional agreements which were based on full partnership in the war, one with France, the other with Canada. The first will be discussed in a later chapter: of the second it is sufficient to say here that it manifested the determination of the Dominion, though not a member of the sterling area, to allow no financial impediments to thwart the maximum contribution of Canadian agriculture and Canadian industry to the war effort of the British Commonwealth. No overriding purpose of this nature was to be expected from neutral governments. However, on 27th October 1939, the British Government made a very encouraging payments agreement with Argentina, a country which had great importance as a supplier of food. This agreement was later on amended, and became the model of similar agreements with the governments of other neutral countries. Its broad effect was to enable the British Government to continue importing without making immediate payment. The sums accruing to Argentine exporters were paid into a special account in the Bank of England on behalf of the Argentine Banco Central, with a guarantee that they would be available later on at gold value. The neutral Argentinians had thus shown themselves ready, like the members of the sterling area, to lend their resources to the belligerent British: or—to state the situation in reverse—the British had succeeded in softening a currency which they had originally reckoned as 'hard'.

The 'hard' currencies had been selected as those eligible for inclusion in the reserve held by the Exchange Equalisation Fund. The first list designated United States and Canadian dollars, Argentinian pesos, Swiss, French and Belgian francs, Swedish and Norwegian kroners, and Dutch guilders. Generally speaking, these

[1] *Op. cit.* Appendix IV. It should be noted that only the smaller part of this immense total of sterling debt was incurred for overseas resources supplied to the United Kingdom: no less than £1,732 millions represented the United Kingdom's efforts in the defence of India, Burma, Egypt and the Middle East.

were the currencies that were hardest to come by under the conditions of trade and abnormal overseas expenditure that attended the outbreak of war. Even under peace conditions, United States dollars had not been easily earned.[1] They now became the hard currency *par excellence*. The problem of foreign exchange was, above all, an American problem.

Almost from the outset of the war, the British Government found itself compelled to review mistrustfully its earlier hopeful plans for keeping its dollar purchases within narrow bounds. As will be seen later, unanticipated shipping difficulties, aggravated in some cases by delays in instituting consumer rationing, compelled it to pay out dollars for supplies it had intended to procure from more distant, but more accommodating countries within the sterling area. More significant still was the steep rise in the requirements upon America for fulfilment of the British munitions programmes. Steel was 'pre-eminently the basic raw material of warfare'; but, since the capacity of the British steel industry was below the requirements of the newly-expanded British war plans, there existed a growing deficiency which would have to be made good by heavy imports from America. There would, moreover, be a sizable bill to pay for machine tools, petroleum products (though the tankers would so far as possible be sent to the Middle East) and some other commodities.[2] For these reasons and because of the rise of prices,[3] the United Kingdom's dollar commitments began to mount up, even before the British Government saw any need for giving big orders to American armament firms, and long before it saw any prospect of America coming into action as the arsenal of democracy—and its granary.

During the early months of war, the War Cabinet returned frequently to reckonings of the available 'cash', and the available means of husbanding it. To take the savings first: if indispensable imports were to be secured, it was necessary to prune rigorously those dispensable imports that were a charge upon the nation's limited resources of foreign exchange. In Germany there had been established both a direct control over imports and a direct control over the foreign exchange required to pay for them. In the United Kingdom, on the other hand, the operation of exchange control had been decentralised among the banks. They could not pretend to any exact knowledge of the Government's import policy and could not therefore take responsibility for granting or refusing exchange to their individual

[1] cf. *The United States in the World Economy*, a study of the U.S. balance of payments between the wars issued by the U.S. Department of Commerce in 1944.

[2] See note on p. 106 above.

[3] See below, pp. 154.

clients. In consequence, the British Government decided to adopt measures based on the scrutiny of different classes of imports. These measures were broadly of two kinds, adapted respectively to the requirements of government departments and those of private commercial importers. The demands of the importing departments for foreign exchange were met by the Treasury, after they had been scrutinised by the Exchange Requirements Committee, a body set up on 29th August 1939 with representatives from all the importing departments, the Treasury, and the Bank of England. The demands of private importers were controlled by the Import Licensing Department of the Board of Trade.

There was nothing amiss in this mechanism of import control; but there was for many months a good deal lacking in the vigour of its operation. In the first place, there remained throughout the first war winter an unoccupied no-man's land between the territories of the Exchange Requirements Committee and the Import Licensing Department. 'Miscellaneous and unallocated' imports which no government department sponsored and which the Board of Trade had not as yet brought under licence were valued in November at £120 millions, out of a total import programme of about £920 millions[1]—a ratio which was not substantially reduced until March, when the Ministry of Food and the Board of Trade made an agreement whereby the former undertook to sponsor a long list of privately imported foods and the latter put them under licence. But, in the second place, the licensing system was not in this period particularly drastic within the sphere of its operation. The Import Licensing Department had started work with a short list of commodities which included textiles, apparel, pottery, cutlery, cars, a few luxury foodstuffs, and some assorted manufactures.[2] Very few of the items on this list were completely prohibited; under most heads importers were given a ration on the basis of their past trade. It was of course understood from the beginning that the list of licensed commodities would be extended, and the ration made more niggardly, if and when the need for more drastic action were demonstrated; but genuinely drastic action was

---

[1] The November programme (or rather estimate, since genuine programming of imports had not as yet been developed) was as follows:—

	£ million
Total Imports	924
Imports, Ministry of Food and Ministry of Supply Controls	631
Imports under Import Licensing or soon to be brought under it	104
Films and tobacco, which were subject to special arrangements	69
Uncontrolled imports	120

[2] S.R. & O., 1939, No. 1054, and following Orders.

postponed until 4th June 1940[1]. By that time the mechanism of import licensing, which hitherto had been intended and employed for the saving of foreign exchange, was being geared to the additional purpose of economising shipping. In the end, it was the shortage of shipping, far more than the shortage of hard currencies, which was the spur towards a tightening of import control, not only in the spheres which have already been mentioned, but in the third and most important sphere, that of direct departmental procurement. Private commercial imports had been by far the smaller part of the total even in the early months of the war; in the mature war economy they were destined to take a rigorously diminished place. However, the assumption by the great importing departments of direct responsibility for the main bulk of overseas supplies did not by itself bring into being an economical, realistic and genuinely national import programme, from which all unessential items were pruned and in which all the essential ones were scientifically balanced in relation to the nation's war needs. As will later appear, that goal was achieved slowly and painfully.

Throughout the period of the Anglo-French alliance, the mechanisms that had been established for controlling imports did not prevent a serious leakage of the nation's precious store of foreign exchange upon purchases which were, in the circumstances of the time, luxurious. But, even if all unnecessary imports had been promptly and efficiently stopped, the mounting cost of absolutely indispensable imports would still have been alarming. To begin with, the depreciation of the exchange rate of sterling on the eve of the war had raised by approximately one fifth the sterling price of all imports from the United States. On top of this, the early months of war brought difficulties of supply and transport which raised import prices still further.[2] Meanwhile, the claims of the British war economy upon hard currency were expanding even beyond the requirements of materials and tools that have been already described. It had been the original intention of the British Government not to deplete its store of American dollars by the purchase of finished munitions; but a day came when the French Prime Minister declared at a meeting of the Supreme War Council that he would be ready to sell all the pictures in the Louvre if they would procure American aircraft for France. Despite their misgivings about finance, the British felt obliged to join the French in spending dollars to build up the capacity of the American aircraft industry. Against these soaring commitments, there was as yet no adequate balancing force on the

[1] S.R. & O., 1940, No. 873. By this Order import licensing was made to cover all commodities and was extended to sterling area countries.

[2] See Chapter VI, Section (i).

dollar-earning side of the account. By index of volume British exports in the third quarterly period of the war were still seven points below the quarterly average for 1938; import prices, moreover, had risen much higher than export prices[1]. Simultaneously, net current earnings from other sources were being engulfed by war needs; the balance on shipping services, for example, was being upset by the overriding claims of the war upon British-owned tonnage and the need to hire neutral tonnage, even at extravagant rates.[2]

Contemporary statistical analysis of the balance of payments situation, both for the United Kingdom and the whole sterling area, had many shortcomings; but two calculations that were made early in 1940 are worth quoting. Lord Stamp calculated that the total adverse balance of the United Kingdom in the first year of war (later years would be worse) was likely to approach, perhaps even to exceed, £400 millions. According to a Treasury estimate prepared about the same time, the sterling area as a whole was likely to have an adverse balance on current account of approximately the same figure—£400 millions. These estimates made the British war effort, when envisaged in terms of external finance, seem pretty hopeless; for both Lord Stamp and the Treasury had concluded, after their separate investigations, that the United Kingdom could not in a three years' war afford to expend more than £150 millions a year from its reserves of gold and foreign exchange, with perhaps an additional £70 or £80 millions a year from the sums realised by the sale of British-owned securities abroad.

A conclusion of such deep pessimism might seem at first sight surprising. The total capital value of British external investments was usually reckoned to be above £3,000 millions. But the distribution and the quality of these investments had to be taken into account. More than half of them were located in sterling area countries, where payments difficulties did not arise; to transfer them to American buyers would be a long and difficult process, even if the buyers should be in the end forthcoming. As for the British investments in America itself, the Johnson Act ruled out the possibility of raising money on them as security. But could not some of them be sold outright? That was, indeed, British policy; but the only investments that could be realised quickly and economically were listed securities denominated in American currency and enjoying a free market. Other securities, inside the United States or outside it, might in time be transferred to American ownership: but any attempt to rush the job was likely to result in knock-down prices—fewer dollars for more securities, and therefore a loss rather than a

[1] See Statistical Tables 3(b) and I(e) on pp. 79 and 77.

[2] See Section (iii) of this chapter.

gain to the British war effort.[1] For all these reasons, the total to be expected from the requisitioning of British securities marketable abroad was expected to be no higher than £200 or £250 millions. Add to that gold reserves estimated at £450 millions, and—'The sum total of our resources', the Chancellor of the Exchequer concluded, 'is thus not more than £700,000,000 . . . . It is obvious that we are in great danger of our gold reserves being exhausted at a rate that will render us incapable of waging war if it is prolonged.' In February 1940, the Treasury estimated that this total sum, which ought to last for three years if prudently husbanded, would at the present rate of expenditure be consumed at the end of two years.

After this warning, the War Cabinet ordered an investigation into the possibility of scaling down the armament programmes. This would certainly be an effective way of curtailing dollar expenditure; but it might be equally effective as a way of losing the war. An alternative answer to the insistent problem of foreign exchange was therefore sought by a drive to increase the current earnings of British exports. Despite the plentitude of government exhortations, British exporters had been given little practical encouragement in the opening months of the war. They found themselves hampered by the export licensing mechanism, which had been established in the Board of Trade not primarily to facilitate British exports, but to conserve scarce materials for home use and to prevent exported goods from reaching countries through which they could be filtered to the enemy—i.e. to wage economic warfare against the enemy.[2] Meanwhile, the new Controllers established in the Ministry of Supply were for the most part intensely preoccupied with Service needs: ignoring the Government's official doctrine about the vital

[1] In a return made by the Bank of England (February 1940) of British-owned securities in North America which had been registered in accordance with the regulations, five grades were distinguished:

	$ *millions* *U.S.*	$ *millions* *Canada*
Grade A	769	275 (A and B together)
„ B	108	
„ C	60	80
„ D	105	11
„ E	31	—
	1,073	366

Securities in Grade A were readily marketable and those in Grade B fairly valuable; at the other end, securities in Grades D and E were practically unsaleable.

[2] S.R. & O. 1939, Nos. 945, 984, 1024 and following Orders. The main Export Control Order, dated 1st September 1939, covered a wide range of raw materials, semi-manufactured and manufactured goods which could not be exported without licence. Destinations were classified into A (all countries outside the United Kingdom), B (all countries outside the British Empire) and C (specified European countries or areas). Although the Export Licensing Department was established in the Board of Trade, the pressure for more stringent control and longer lists of prohibitions came from the Ministries of Economic Warfare and Supply, with which the Board of Trade found itself continuously in dispute.

importance of exports, some of them flatly refused to make available the essential materials the exporting industries needed. On top of these frustrations inflicted upon them by the controls, would-be exporters suffered also from the violent disturbance of trade channels and the shipping difficulties of the first war winter.

But by the late winter and early spring the War Cabinet had made up its mind to clear the ground for a genuine 'National Export Drive'. Lord Stamp, as adviser on economic co-ordination, had produced a series of memoranda stressing the need for an export policy that would be both vigorous and discriminating, choosing with care exportable goods of high conversion value[1] and export markets that would yield the hard currencies. A sub-committee of ministers, specially appointed to promote the export drive, set greater store upon the vigour recommended by Lord Stamp than upon the discrimination: so too did the Export Council, which was established on 1st February 1940 and at once appealed to 'all industry for all exports'.[2] Probably the most important thing this Export Council did was to set up export groups in a number of British industries. At the time, these groups did very little to start a stronger flow of British exports, but some of them proved themselves useful, later on, as instruments of the concentration of industry, a policy which aimed at releasing plant, floor space and labour from the production of civilian goods to war industry.[3] Indeed, it was the fate of the export drive and all its attendant instruments to be overwhelmed, before their effectiveness could be properly tested, by the tidal wave of military crisis. The Limitation of Supplies Orders illustrate this. One of the most promising things that the Board of Trade had done to foster exports was to set up an Industrial Supplies Department with the specific duty of determining the competing claims upon raw materials advanced on behalf of the home civilian market and the export market. On 16th April 1940, the new department went into action with a Limitation of Supplies Order which cut down by twenty-five per cent. the supplies of cotton, rayon and linen piece-goods and made-up goods available to British wholesalers for resale to domestic retailers or makers-up.[4] After Hitler had let loose his victorious *blitzkrieg* in western Europe, new and far more

---

[1] i.e. exports involving the highest possible addition by British labour, management and plant to the value of the raw materials.

[2] Cmd. 6183.

[3] See below, pp. 310.

[4] S.R. & O. 1940, No. 561. The reduction of twenty-five per cent. was on the standard period, 1st April to 3rd September 1939; but, in view of the many exceptions in favour of blackout materials, overalls, the needs of hospitals, the W.V.S. etc., etc., it was in fact a good deal less. Note that the Board of Trade had rejected the project of control at the raw materials stage, choosing instead to limit the manufactured or semi-manufactured articles at the stage of wholesale distribution.

comprehensive Orders[1] were issued with an additional purpose—to stint British consumers, not primarily for the sake of exports and foreign exchange, but for the sake of British war production. Here was the beginning, or at least the forecast, of austerity.

All the main elements in the problem of foreign exchange have now been examined—British exchange control, the sterling area, the payments agreements with foreign countries, the value of British reserves and external investments and the process of turning the latter into current cash, import restrictions, the export drive, the mounting total of overseas war expenditure. The examination has revealed nothing seriously amiss in the mechanism of policy, but a serious deficiency of motive power. The United Kingdom's capacity to wage war on the scale necessary to ensure victory was dangerously constricted by the limits imposed upon her capacity to pay for overseas supplies. All the more need, therefore, to generate the maximum intensity of effort within those limits. Before the fall of France the British Government was not achieving this maximum.

There was a discrepancy between the financial and the military outlook upon time. To dole out reserves of gold and foreign exchange at the rate of £150 millions a year might be sound policy if the war were likely to last three years; it could not be sound policy if the enemy were planning to win it in one year. This must have been the thought in the French Prime Minister's mind when he declared that he would be ready to sell his nation's art treasures for American aircraft. If only the Americans had been ready to deliver them! They too were clinging, far more intensely than the French or the British, to the commercial, unmilitary notion of time. When in February 1940 the French and British Governments made up their minds to spend their dollars rather more quickly, they had perforce to spend the greater part of them, not on combat aeroplanes and weapons—they were not ready—but on developing America's capacity to produce them. The production came months and years too late to be of any use to France.

It would be an interesting exercise in hypothetical statistics to estimate what the eventual size of the British war effort would have been if the United States had not in March 1941 thrown aside the 'cash' provisions of their neutrality legislation and if Canada had not throughout the war overcome every financial impediment to full economic collaboration with Britain. There would perforce have been a smaller R.A.F. and a smaller Navy and far fewer divisions in Normandy—if ever there had been a Normandy. There would have

[1] S.R. & O. 1940, Nos. 874, 875, and following Orders, covering various kinds of machinery, and consumer goods such as pottery, glass, cutlery, hosiery, toys, games, musical instruments, etc.

been a much smaller war industry working for these diminished Forces, and a greatly expanded export industry struggling to earn the overseas supplies essential to sustain the United Kingdom's small-to-medium mobilisation. Such a distribution of the national resources—the very contrary of the overstrain and unbalance which were the eventual legacy of the war—would have been highly favourable to British recovery after victory. But here the smooth hypothesis breaks down. Victory was not to be bought on the cheap.

Economic prudence, estimating in long-term the interests and bare needs of the people and the interlocking long-term interests and needs of the British Commonwealth and of world society, could not be brought into congruity with military prudence, estimating the immediate, urgent requirements of armed resistance. For the sake of present resistance and future victory, Britain at last threw economic prudence to the winds. When France was already falling, the new British Government discarded the old policy of overseas purchase. On 10th May, the very day on which the Churchill Government took office, a memorandum from the Stamp Survey proposed that the balance of payments policy that had hitherto been followed ought henceforth to be scrapped, in so far as it impeded the speedy procurement of armaments. Before this document was considered by any committee of the War Cabinet,[1] the Prime Minister had secured from his colleagues authority to state Britain's most urgent requirements in a personal communication to the President. His communication contained this sentence: 'We shall go on paying dollars for as long as we can, but I should like to feel reasonably sure that when we can pay no more you will give us the stuff just the same.' On 27th May, Lord Lothian, in more formal terms, made a similar communication to the American Secretary of State. Finally, on 3rd July, Lord Lothian presented to the United States Government an aide-mémoire which stated comprehensively the demands that Britain, 'now almost the last free country in Europe', intended to make in the first place upon herself, and secondly upon the United States. His Majesty's Government intended to draw upon American resources to an extent not hitherto contemplated. So long as they were able, they would continue to pay cash for American armaments, materials, tools and foodstuffs.

> They feel however [the aide-mémoire continued] that they should in all frankness inform the United States Government that it will be utterly impossible for them to do this for any indefinite period in view of the scale on which they will need to obtain such resources from the United States. Their immediate anxiety arises from the necessity of entering into long-term contracts.

[1] It was considered by the Ministerial Committee on Economic Policy on 27th May.

Dollars would be of no use to the United Kingdom if the German and Italian onslaught rubbed out British national life in 1940 or 1941. And, if this onslaught did succeed, American democracy would find itself in the front line of war before it had armed itself for war. For both countries, now rapidly discovering their deep partnership of strategic interest and ideals, the act of faith was also the act of prudence—of prudence defined (for the United Kingdom) not in economic but in military terms.

It must not be imagined that the British were magically freed from all their difficulties of external payment, either in the summer of 1940 or even in the early spring of 1941, when the Lend-Lease Act was passed. In subsequent phases of the war they found themselves, as will later be shown, constantly compelled to exercise great care in husbanding and allocating their resources of foreign exchange. Nevertheless, in the summer of 1940 it became probable, and in the following spring it became certain, that the British people would not lose the war through the scarcity of hard currency. The scarcity of shipping was a very different matter.

(iii)

Carry

In 1917 and 1918 mortal peril had been warded off by the Navy's valour and skill in fighting the U-boats, by the Merchant Navy's courage, by convoy and the other apparatus of Admiralty control, and by civilian control both of ships and cargoes. All this experience was available to the British Government when it was making its plans for the employment of the resources of shipping-space available to it in a new war. In its planning of United Kingdom imports (with which the present chapter is most concerned) the Government might have drawn one lesson in particular from previous experience: namely, the inadequacy of a partial control. The spasmodic and partial interventions of the earlier years of the last war had cured or mitigated particular scarcities, temporarily at least; but they had created indefensible inequalities in the shipping industry and had aggravated the general scarcity by causing an overall waste of the diminished tonnage available to the nation in its great need. In the end, the Government had been compelled to face the need for total control. Its control over ships was exercised through the requisitioning system operated by the Ministry of Shipping. Its control over cargoes did not in practice attain the same completeness; but the principle of substituting departmental decision for the individual choice of importers, and determining conflicting departmental claims by a committee of the War Cabinet, was embodied in action at the time, and clearly expounded in retrospect.[1]

In despite of this experience, the United Kingdom entered the Second World War with plans for a *partial* control of shipping and sea-borne supplies. How is this fact to be explained? Explanation must no doubt be sought in large measure in considerations of an administrative kind. It is only too easy for the historian, with his after-knowledge of eventual achievement, to forget the simple fact that the type of control exercised at the end of a war—in 1918 for example—requires elaborate departmental organisation and staff; these take time to build up, and, until they have been built up, the controls which assume their existence are inappropriate. Bearing this truth in mind, the critical historian may feel justified in arguing that the war planners of the late nineteen thirties would have done well to devote more energy—not only in the sphere of shipping policy but elsewhere—to the building up of skeleton administrative staffs, rather than to hypothetical calculations of requirements and supplies.

As it turned out, the forecasts of shipping resources and the probable demands upon them suggested that there need be no great urgency in building administrative foundations for controls of the 1918 stamp. The basis of these forecasts was as much strategical as economic. The men responsible for planning the employment of British-controlled tonnage could hardly be expected to anticipate a German occupation of the western coasts of Europe from the Pyrenees to the North Cape. Not that all the advice that came from the strategical experts was optimistic; very serious warnings were given about the damage that might be inflicted by enemy air attacks upon port facilities and shipping in the ports. The Admiralty, however, was optimistic about the Navy's capacity to cope with attacks upon ships at sea. It was leaving nothing to chance. It intended to introduce convoy at the very beginning of the war. It believed that the convoy system and the anti-submarine patrols would be able to keep U-boat sinkings reasonably low. This confidence was subsequently justified by events, up to the time when British naval losses during the last phase of the Battle of France, the subsequent advance of German bases along a wide Atlantic front, the defection of the French fleet, and the entry on the other side of the Italian fleet completely overturned the strategical assumptions with which the war had begun. Up to the time of this immense reversal of fortune, the gains and losses of merchant ships from all causes roughly balanced.[2]

[1] See above, pp. 30; and cf. Sir Arthur Salter, *Allied Shipping Control* (Carnegie Endowment, O.U.P. 1921).

[2] See Table 3 (c) on p. 80.

Moreover, the Germans still held back the *Luftwaffe* from attacking British ports. The first half-year of war at sea was, by the standard of previous experience, easy—not at all the kind of war that Britain had fought in 1917–18, and had, after great tribulation, won. And yet, this first half-year witnessed a severe import crisis and a depressing wastage of the precious stocks of food and raw materials that were to be of such crucial importance in the harder war that lay ahead.

These setbacks took the Government almost entirely by surprise. The explanation of them—since the Admiralty forecasts were proved correct—must be sought in miscalculations on the civilian side. At the end of 1938, the problem of British resources of shipping in relation to import needs was being studied by the Committee of Imperial Defence. Earlier in the year,[1] the President of the Chamber of Shipping had delivered a speech which alleged that the Merchant Navy had been allowed to decline to a level incompatible with national safety in time of war. The allegation was one-sided and the Mercantile Marine Department produced a document which included evidence on the other side. This was desirable and indeed necessary; but the outcome was a tilting of the balance too far on the side of optimism.

The document laid justifiable stress upon the favourable strategical forecasts. There were, on the other hand, certain unfavourable factors which it discussed. The mercantile marine of the United Kingdom was about 1¼ million gross tons smaller in 1938 than it had been in 1914 and the decline in dry cargo vessels was much larger than this, since United Kingdom tanker tonnage had risen by over 1¾ million gross tons in this period. The annual output of the shipyards had shrunk considerably: whereas between 1911 and 1913 it had averaged two million gross tons a year, in every year since 1931 it had been below the million mark, in some years a good deal below it. Yet there existed some compensating factors. If tonnage on Dominion and Colonial registers were included with the United Kingdom merchant fleet (though the United Kingdom Government had no direct control over Dominion ships) the total was only about half a million short of the 1914 figure. Moreover, there was included within this total a larger tonnage of ocean-going ships suitable for long voyages. And if the fleet was, on balance, older, it nevertheless contained a larger proportion of the faster vessels.

It was, however, not merely the size of the merchant fleet and its peace-time efficiency that needed to be reviewed; what was wanted was an estimate of carrying capacity under war-time conditions. Such an estimate is extremely difficult to make. There are certain things that cannot be predicted in advance of war with any reasonable

[1] 31st March 1938.

accuracy: for example, the balance of gains and losses. There are certain other things, such as the savings that may be made by reducing the number of loading and discharging ports, which can be predicted with tolerable correctness by an experienced statistician with a thorough practical knowledge of shipping. The document under discussion did not possess this expert character; but it offered some reassuring estimates. The carrying capacity of available British shipping (after deducting the tonnage required by the Army and Navy and allocated to Empire supply and the cross trades) should suffice to bring to the United Kingdom in the first twelve months of war 48 million tons of dry cargo imports.[1] British requirements of dry cargo imports for the same twelve months would be 47 million tons. Consequently, there would be a safety margin of one million tons. This satisfactory result could be achieved by British shipping alone—not counting the large tonnage of neutral shipping which, it was confidently expected, would come into British service when the blockade sealed up many of the normal opportunities of shipping employment.[2]

These forecasts were made nearly two years before war broke out. They may be contrasted with an expert estimate which was made in the Ministry of Shipping early in the war—that British *and neutral* shipping *together* might be able in the first year of war to bring in 47 million tons of dry cargo imports.[3] It was this latter estimate, not the more sanguine one submitted before the war, that was subsequently, in very large measure, proved true.

The optimistic forecasts that were current before the war may well have encouraged a disposition to postpone the imposition of complete control over shipping. Even if such a control had been imposed at once, it could not at a stroke have achieved its object, the switch-over of British shipping to its war tasks; for such a switch-over is a large and complicated undertaking which can only produce its full effects cumulatively over a period of months. This was an additional reason for making a prompt beginning; indeed, in the calculations of 1938 it had at the outset been assumed that the shipping industry would be brought under effective control 'from the outset of the emergency'. But this assumption very soon dropped out of sight. Instead, it came to be assumed that the British shipowner knew his

---

[1] Tanker imports and tanker tonnage, as being the concern of the Oil Board, were not included in the calculation.

[2] According to later calculations by the Ministry of War Transport, about 43 per cent. of U.K. imports (by weight) in peacetime were carried in foreign ships.

[3] This estimate was repeated in February 1940, subject to the explicit warning that no margin had been left in it for unfavourable contingencies which ought to be insured against. Unfavourable contingencies did in fact occur after April 1940. In the event, neutral and British ships brought to the United Kingdom during the first twelve months of war 44·3 million tons of dry cargo imports.

own business best and should be left as free as possible to follow the normal incentives of his calling. At the beginning of the war the Ministry of Shipping was expected to administer, not the full requisitioning system that its predecessor had instituted and operated in 1917, but the gentler, more negative system of ship licensing.[1]

There was another weakness in civilian preparations to safeguard overseas supplies. No really thorough attempt was made to calculate how far British imports might under war conditions be limited by shortage of port capacity.[2] One of the major factors determining the carrying capacity of a ship is the time she spends in port—in loading or discharging cargo and in other port operations. In peace a liner spends more than half her life in port and a tramp a smaller, though still very considerable proportion of time. Between 1914 and 1917 the times spent in port had been so much extended that, as a result of the difference, the United Kingdom almost certainly lost more imports, in any single year, than the submarines sank.[3] Delay at the ports had occurred principally because of the disorganisation of the normal machinery of trade, combined with the large demands made by the Services on port capacity. In the nineteen-thirties there was visible danger, not merely that this situation might repeat itself, but that it might repeat itself in exaggerated form; for it was realised that in any future war the ports would be heavily bombed.

In the years of preparation, the strategical experts had given clear warning that ports rather than shipping might limit British imports. In 1933, the Committee of Imperial Defence set up a sub-committee to review the whole question of the capacity of the ports and inland transport to handle imports, particularly in the event of the diversion of ships from their customary ports. The sub-committee spent four years on its task and its final report was optimistic. It found that even if seventy-five per cent. of the tonnage which normally entered the south and east coast ports was diverted to the west coast, the port

[1] The Ship Licensing system was administered by a committee of owners and civil servants. The Lines were given a general licence, subject to revision, permitting them to operate on their normal berths. They were, however, bound to load their ships according to the guidance given by a priority cargo list, in which was left a certain allowance of free choice which varied from route to route and which was justified by the impossibility of producing at that stage a fully detailed and comprehensive list. In contrast to the liners, the tramps had to get a specific licence for each separate voyage—a contrast which suggests the stock simile in which the liner is said to be like a train and the tramp like a taxi.

[2] This problem fell within the jurisdiction of the Ministry of Transport, whose investigations were parallel but not in close co-ordination with those of the Mercantile Marine Department into the carrying capacity of British shipping.

[3] In 1917 the United Kingdom imported (excluding petroleum products) some 34 million tons of commodities. In the first four months of the year, at the peak of the U-boat effort, cargoes were being sunk at a rate of about five million tons a year. At the same time the loss from delays in port, taking peace-time performance as a standard, was between four and five million tons. It must of course be remembered, in comparing the losses from sinkings with port delays, that sinkings are cumulative and port delays are not: ships sunk in one year mean so many the less the next.

facilities there would be adequate. But the basis of this reasoning was extremely shaky. The sub-committee had collected estimates of what each west coast port supposed it could handle regardless of the types of goods imported and the burdens on other ports and upon inland transport. It had collected estimates from the railways about the traffic they could carry from the west coast ports, considering each port in isolation and out of relation to inland transport movements. It had added up the number of deep sea ships that could be accommodated in the west without considering any of the factors which determine the time a ship spends in port. The whole port problem was then remitted to yet another committee which discovered in March 1939 that the estimates of its predecessor were 'complete nonsense'. But by then time was too short. Britain entered the war without any realistic estimate of port capacity if ships should be diverted to the west coast ports. The dangers of this over-confidence were not apparent until the fall of France made diversion necessary; in the winter of 1940–41, the United Kingdom was losing once again as large a volume of imports because of port delays as it was losing because of cargoes sunk. In September 1939, however, no doubts about port capacity clouded the prediction that United Kingdom dry cargo imports in British ships would be about 48 million tons in the first year of war.

The estimate of British import requirements had no firmer foundation than the estimates of British shipping and port capacity. The origins of the seemingly precise figure of 47 million tons of imports can be traced back to some vague statistical manipulations between 1936 and 1938. In 1936, the figure of 52 millions—about three millions less than average peace-time imports—had been cited to the Committee of Imperial Defence; but the Food Supply Sub-Committee unwittingly complicated the issue by recommending that 'an overall decrease of imports of food of twenty-five per cent. should be assumed throughout the duration of the war'. On this authority, the Mercantile Marine Department cut its estimate of food requirements from 20 million tons to 15 millions, thereby bringing down the total of import requirements to the 47 million figure. But the officials of the Food (Defence Plans) Department had never for one moment imagined that their import programme could be slashed in this way. In so far as they paid any attention to the twenty-five per cent. estimate, they accepted it as a measure of the losses which enemy action might inflict upon British food supplies if no counter action were taken. They then proceeded to take counter action. By their judgement, if there were indeed a danger of a twenty-five per cent. fall in arrivals of food owing to destruction and delay at sea, loadings of food in overseas ports must be correspondingly increased. While, therefore, the planners responsible for the nation's ships were scaling down the programme of food imports, the planners responsible for the nation's food were scaling the programme up. Neither party took any notice of what the other was doing; nor did the Committee of Imperial Defence uncover the discrepancy of calculation and planning.

And so the word went round that there would be plenty of ships. How far this mood of muddled cheerfulness was the product of the calculations which have been reviewed, how far these calculations were themselves the product of the prevailing mood, need not, and possibly cannot be determined; but some of the clear consequences should be pointed out. One consequence was a lack of realism in the zone of import policy that persisted throughout the first period of the war and proved hard to eradicate even after the reverses of 1940. In September 1939, the organisation of the importing departments and of the shipping authorities was admittedly much further advanced than it had been in August 1914; but plans fell a long way short of the 1918 mark. The shipping authorities concluded that a partial control over deep-sea tonnage would be good enough to start with, the importing departments concluded that a partial control over supplies would be good enough, and the War Cabinet was not ready for the task which Lord Milner's committee had undertaken on its behalf in 1917—the scrutinising and adjudication of conflicting departmental claims on shipping, so that out of them might be hammered a national import programme adjusted to the actual facts of the shipping situation.

Another consequence was the relaxation of preparations for import-saving production at home. The plans for British agriculture offer a good example; in September 1939 they were less drastic than they had been two years earlier. In 1937, the Committee of Imperial Defence had approved a war agricultural programme dominated by the memories of the 1917 submarine campaign and the wheat famine of the succeeding seasons. The basis of this programme was the conversion of grassland to arable in order to grow crops that would give the largest and quickest return in food value and that were bulky to import. In particular it would be necessary to increase the output of wheat, potatoes and oats for direct human consumption. A large quantity of home-grown corn would also have to be diverted from animal to human consumption. At the same time, a considerable fall in imports of animal feeding-stuffs was expected. All these plans together made inevitable a drastic fall in the number of corn-eating and grass-eating animals—that is, pigs, poultry and sheep. These policies of 1937 were never formally rescinded but, in the growing expectation that there would be plenty of shipping, they were quietly obscured. In 1939, it was thought that temporary interruptions of cargoes of animal feeding-stuffs were still possible. And shortage of foreign exchange might limit imports—imports not of the bulky foods such as wheat but of expensive foods like meat and cheese. Gradually, the necessity of ploughing grassland became accepted mainly as a preparation for a greater production of animal feeding-stuffs in order to maintain the supply of meat and dairy produce.

All this was symptomatic of a change in the general tone of agricultural policy which took place between 1937 and 1939 and expressed itself emphatically in the early war months.[1] The original idea of a food production campaign concentrating upon crops for direct human consumption had slipped into the background and did not re-emerge until the disasters of May and June 1940 revived the memories, and the policies of 1917.

A more important consequence of the unrealistic forecasting of British importing capacity was the inadequate action taken to build up stocks of food and raw materials. On this subject there had been considerable public discussion from 1936 onwards. In the mid-summer of 1939, Sir Arthur Salter, one of the protagonists of a vigorous policy of stock-building, proposed an exact figure: 13 million tons of stocks would, he said, 'enable us to carry on for three years of war with a loss of shipping which, in the absence of such reserves, would have crippled us in little more than a year.' Here it is necessary to make a distinction between a stocks policy that is designed to save shipping and one that is designed to safeguard war production. The authorities responsible for war production will inevitably concern themselves with specific commodities of strategic importance which are likely to become difficult to procure in time of war, either through a rise in total demand or because of enemy domination over important sources of supply. Such commodities are not necessarily the bulky ones. Sheer bulk is, however, the primary concern of the shipping authorities. They have no specific interest in any particular cargo unless it happens to make big demands upon shipping space. Before the war, Sir Arthur Salter and those who shared his opinions concentrated their attention on three commodities which, between them, accounted for nearly half the tonnage of British imports. These three were iron-ore, grain, and timber. All of them were primarily tramp cargoes and largely inter-changeable with each other from the shipping point of view, so that it did not matter what emphasis was given in storage policy to any one of them. All that did matter was to bring in 13 million tons, or some other big *total*, before the outbreak of war.

This advocacy made little impression upon the Government. Before Munich, it conflicted with the doctrine of a war of limited

[1] The price increases which came into effect in January 1940 represented, when compared with the averages for January 1939, a twenty-five per cent. increase for sheep and fat cattle and a thirty-three per cent. increase for pigs. Part of this increase represented the higher cost of feeding stuffs due to the unforeseen shortfall of imports, but part of it was 'incentive'.

liability; for what was the use of accumulating large quantities of iron-ore when the nation would have to equip no more than five or six divisions for modern warfare? It conflicted also with the doctrine of normal trade, since the accumulation of stocks by government action might have a disturbing effect on trade prices. And even when these two doctrines went by the board, the Government still rejected the premises underlying this troublesome agitation of economists and M.P.s. If its own experts were right, if shipping were going to be plentiful, why insure against a serious shipping shortage? The Essential Commodities Reserves Act, passed through Parliament in 1938, had a more limited purpose; to give moderate insurance against temporary deficiencies and delays likely to accompany the early months of war.[1] Some of the purchases made under this Act (especially the purchases of oils and fats) were negotiated by the food planners with considerable skill and served the country well.[2] They did not however constitute an effective reply to the advocates of a large stock-building policy because their total effect in forestalling the strain on shipping was small. When war broke out, the nation was poorly provided with the three bulk commodities mentioned above. It is true that the Government had bought 400,000 tons of wheat (the equivalent of five weeks' consumption); but trade stocks were low. The Government had accumulated no stocks at all of iron-ore and timber. Trade stocks of iron-ore at 1·2 million tons (equivalent to ten weeks' supply[3]) were higher than the normal peace-time average; but trade stocks of timber were far below the average.[4] In consequence of all this, the Ministry of Shipping found itself dangerously short of elbow room in its attempt to cope with the flood of difficulties which immediately followed the outbreak of war.

In the years before the war, British imports had averaged over 4½ million tons per month, with a lower average for the mid-winter

[1] The plans of the Mercantile Marine Department at this time represented an advance on the 1938 report to the Committee of Imperial Defence, to the extent of assuming for the early months of war a reduction of fifteen per cent. in the carrying capacity of British ships, owing to the introduction of convoy and other temporary dislocations. The actual reduction in the period September-December 1939 was thirty per cent., a figure which the Ministry of Shipping thought might be cut down, under favourable circumstances, to twenty to twenty-five per cent.

[2] The Food (Defence Plans) Department sought authority to spend £25 millions and received Treasury sanction for spending £15 millions. In addition to whale oil, it laid in stocks of sugar, which were dissipated in the early weeks of war by the delay in the introduction of rationing, and of wheat, which were engulfed in the shipping shortage.

[3] The estimate of ten weeks' supply may be optimistic, since the trade normally holds five weeks' supply for ordinary distributive purposes.

[4] In October 1939 trade stocks of timber were 617,000 standards, as against the peace-time average of one million: and yet in the previous June the Government had still been considering 'whether any reserves are desirable in principle, and if so, whether they can be obtained'.

months. The monthly figures of imports up to the fall of France were as follows:

	Thousand Tons
September	2,831
October	3,090
November	3,528
December	3,690
January	3,810
February	3,598
March	3,856
April	4,207
May	4,177

The table shows that imports in the first two months of war fell short of peace-time performance by more than a third. In the following months they rose appreciably, despite the seasonal disadvantage; by the spring they were less than half a million tons short of the peace-time average. However, it had by then become quite clear that the accumulated backlog on requirements would never be made up. And a far grimmer battle on the seas and in the ports was now closely impending.

Within the general framework of monthly import totals, attention may now be given to the three commodities discussed above, wheat, iron-ore and timber—not because these commodities were the only ones where critical shortages arose, but because their story is quantitatively important and has, besides, special significance for the evolution of policy. To begin with wheat. From the very first weeks of war, consumption went up and imports went down, until by November working stocks in the hands of the trade were reduced to so low a level that some mills actually ran out of wheat and had to stop work. However, in December 1939 the Ministry of Shipping brought into action the weapon of requisitioning, with the result that in each successive month up to the fall of France imports were above consumption. When France fell, a very sound stock position had been established for wheat.[1] Not, however, without cost. The Government had been compelled to spend dollars on North American wheat where it had planned to save them by procuring Australian wheat. Moreover, the concentration of requisitioned shipping on overcoming the wheat crisis had given rise to crises in other commodities.

Import requirements of iron-ore for the first year of war, as stated by the Ministry of Supply, were seven million tons, or rather more than 580,000 tons per month. For the first three months of war,

[1] On 6th December 1939, the War Cabinet had adopted, as a minimum safety standard, wheat stocks equivalent to thirteen weeks' consumption (in fact more, when home-grown wheat was coming in).

actual imports came in at a little more than half this rate, which indeed was never once reached during the first six months of war.[1] In February, when the Ministry of Supply appealed to the War Cabinet, stocks had fallen below the ordinary needs of the trade and works were already beginning to close down. Fortunately, by that time the wheat crisis was well on the way to solution, so that it was possible to switch an increasing number of requisitioned tramps to Narvik and Kirkeness, French North Africa, Sierra Leone and Newfoundland, the main sources of supply. But the start had been slower than with wheat, and the backlog was never made up. At the end of the first year of war, the Ministry of Supply was nearly two million tons short of the imported iron-ore for which it had budgeted.

For wheat, the turning point had come in December; for iron-ore, it came in February; but for timber it never came at all. Month after month, imports of timber were less than a half, sometimes less than a quarter of Ministry of Supply requirements.[2] There were no stocks from which the deficiency might be made good; nor were there ships enough to switch from the closed Baltic to the long British Columbian haul. Warnings were frequently given that the timber shortage was jeopardising the military and munitions programmes of the Government and in particular the building of munitions factories and of hutments for the troops. Despite these warnings, timber was sacrificed, and rightly sacrificed, for the sake of wheat and iron.

By whose decision? The Ministry of Supply, once it was convinced that its clamours and complaints could not exact more tonnage from the Ministry of Shipping, was certainly competent to decide between the respective claims of iron-ore and timber; just as the Ministry of Food was competent to strike a balance between wheat and feeding-stuffs. But there did not as yet exist any authority, short of the War Cabinet, which could decide between feeding-stuffs and iron-ore, or wheat and timber. In consequence, the aggrieved departments kept coming to the War Cabinet with their contending and incompatible claims upon the Ministry of Shipping.

In the first months of its history, the Ministry of Shipping achieved a great deal, despite the impediment of those pre-war political decisions that have been described. In its organisation, and in the technical instruments that it commanded—for example, in its complicated and exact apparatus of shipping intelligence—it was able to

[1] Monthly imports rose from 263,350 tons in the first month of war to 443,000 in the sixth (February). April was the first month in which the peace-time average was reached and passed.

[2] The September statement of softwood timber requirements for the first six months of war worked out at an average monthly import of 425,000 tons, with which may be contrasted actual imports of 183,300 tons in December and 98,100 tons in January. Even in April the figure was only 180,100 tons.

draw with great profit upon the experience of 1917–18. Working in close contact with the Admiralty, it played its part in the institution of convoy control, in the closing and reopening of the Mediterranean, in the switching of sea traffic from the east ports to the west ports and back again, in the holding of ships in port to be fitted with guns and degaussed against the magnetic mine, and in all the other emergency operations of the early months of war. Its precise arithmetic soon rectified the optimistic forecasts it had inherited. It took realistic measure of the carrying capacity of the British merchant fleet and the aid to be expected from neutral shipping.[1] Moreover, in order to get maximum service from the drastically scaled-down total of effective resources available to it, it rapidly refashioned the policy which it had been called into being to administer.

Less than a month after the Ministry's inauguration, the Director-General felt constrained to point out that control through the licensing of voyages, whatever might be said in its favour as a transitional measure, was already suffering a change in its original nature and intent: instead of operating mildly and negatively with infrequent interferences with owners' intentions, it was becoming an ill-concealed dictation to all owners as to the voyages they might undertake. Indeed, nothing short of dictation—that is to say, positive government control—was capable of getting the nation's ships to the places where they were needed—to North America for wheat, to Narvik for iron-ore. As has already been seen, the Ministry was compelled to use the weapon of requisitioning in order to overcome the urgent crises of wheat and iron-ore. Nor was its action in these special instances haphazard; from the early days of December it was moving purposefully towards the all-inclusive requisitioning of deep-sea shipping as an objective of fully considered public policy. The inauguration of this policy was announced on 4th January 1940.

From that day, the Ministry had power to extract much fuller value from the carrying capacity of the merchant navy, since every ship could henceforward be sent to the destination, and loaded with

[1] cf. p. 123 above. Before the war it had been expected that the British blockade would aggravate the world's chronic over-supply of tonnage and bring neutral owners in flocks to the Ministry of Shipping, there to be employed on terms not unfavourable to the Treasury. What the war in fact produced was a world shortage of shipping which sent neutral owners frolicking after high freights. The British Government was unwilling to join the rush into the short-term freight market, partly because of its need to husband the means of payment, partly because of its reluctance to pay foreigners at a vastly higher rate than it was paying its own people. Consequently, it endeavoured to secure blocks of tonnage on a long term basis at reasonable time-charter rates. This policy necessitated protracted negotiations, which did not produce substantial results until the German invasions of western Europe changed the political atmosphere and the terms of bargaining. Meanwhile, the Ministry of Shipping did its best to fill the gap with voyage-charter arrangements. These were expensive, precarious and inadequate. Attempts to buy neutral ships were also made; but the results were small, for ships had become a good investment again and the neutrals had no inducement to sell except at high and rapidly rising prices.

the cargo, that the national interest demanded. But the national interest was not always easy to define; nor was the Ministry of Shipping always the appropriate authority for defining it, even within the sphere which seemed peculiarly its own. For it is wrong to allow large issues of economic policy and the structure of the war economy itself to be determined incidentally by the day-to-day operations of shipping. Such issues occurred frequently through the overlap of 'cash' and 'carry'; considerations of 'carry' demanded concentration on the short hauls; but considerations of 'cash'—or of economic warfare—often demanded the reverse. Again: if the United Kingdom's import programme had been the only test, British tonnage should have been withdrawn completely from the 'cross trades';[1] but this policy would have been expensive in 'cash', and would besides have jeopardised the war-making power of the overseas Empire. The Ministry of Shipping, therefore, had to do its best within the limits of policies which originated in the Treasury, the Ministry of Economic Warfare, or elsewhere, and were ultimately decided by the War Cabinet.

In those early months, the War Cabinet did not decide enough. Allocations of tonnage by the Ministry of Shipping, in despite of its own desires and explicit protests, were determining not merely short-term loading programmes but long-term import priorities as well. This happened inevitably through the War Cabinet's failure to establish an authority charged with responsibility for scaling down the total of import requirements to fit the total of available capacity. As has been seen, the Ministry of Shipping had given early warning that import requirements would have to be scaled down. It was a warning that the importing departments were most reluctant to observe. They found it hard to free themselves from the great expectations which they had been encouraged to form before the war. They demanded more proof—and so did the War Cabinet itself—that the shipping authorities could not produce less discouraging statistics and prophesy smoother things. In the meantime, they allowed their own calculations of requirements to stand, if indeed they did not increase them.[2] However, as the first half year of war drew towards its close, they found themselves compelled to modify these tactics of stone-walling. On 19th December 1939 the War Cabinet had assigned to the Lord Privy Seal (Sir Samuel Hoare) the task of investigating the shipping resources available to the nation.

[1] i.e. ships trading between any two ports other than United Kingdom ports.

[2] Despite the Ministry of Shipping's figures and its call in December 1939 for adjustment to the shipping shortage by restricted consumption and the increased use of substitutes, the Ministry of Supply in January 1940 put up its import requirements from 23·9 to 30·6 million tons. This put up the total import requirements to 53·7 million tons, which on the more favourable assumption was nearly 7 millions, and on the less favourable one 12 millions above the estimate of available shipping space.

His report, which was presented to the War Cabinet in February 1940, emphatically corroborated the judgement of the Ministry of Shipping. It showed that the shipping situation, so far from improving, would get still worse in the second year of war. It went on to propose drastic cuts in imports, a more realistic policy of agricultural and other import-saving production, and a more provident policy in regard to stocks. In consequence of this report the Lord Privy Seal was invited to review the current import programme as a whole. He remitted this task to a committee of officials, who had their report ready at the beginning of April. The War Cabinet accepted their proposals for scaling down the import requirements for the first year of war. In broad outline, these proposals were as follows:

	Million Tons
Ministry of Food	19·00 to 19·95
Ministry of Supply	23·64
Unallocated	1·15
TOTAL	43·79 to 44·74

At last a real beginning had been made in lifting the shipping problem above the level of departmental tussle, and in adjusting the total of requirements upon overseas supplies to the total of available tonnage. It was, however, no more than a beginning. The savings suggested in the above figures were to some extent the product of paper adjustments which had no counterpart in the actual importing plans of government departments or private business men. When France fell, war-making power was still being wasted through importation of unessential things, and of essential things in quantities which—in default of a scientific restatement of relative needs in the context of a compulsorily diminished total of imports—were sometimes excessive, and sometimes inadequate.

It is not easy to determine how much of this waste of war-making power might have been avoided. By the standards of endeavour that the nation later on accepted, and by its later standards of efficiency, there were in this opening period of the war some extravagances which seem almost bizarre. It would be possible to make a long list of commodities which, though of very indirect value to the war effort, were still being shipped to the United Kingdom in larger quantities than in peace time. Wines and spirits, Spanish onions, canned, bottled and dried fruits would be conspicuous among the food items on the list; there were besides many dubious items, chiefly odds and ends of manufacture, included in the 'miscellaneous and unallocated' imports for which the Board of Trade was officially responsible. According to the tests of necessity that Britain adopted in a leaner time, two or three million tons of shipping-space might possibly have been saved by pruning away this miscellaneous luxuriance. But, under the conditions of administrative organisation that existed at the beginning of the war, pruning operations were always difficult and sometimes impossible. For example: the Board of Trade's acquaintance with the items on the miscellaneous list was very distant; it knew a good deal about their value, but nothing about their weight. It could control them only through the over-worked Import Licensing Department, whose primary task was to save foreign exchange and not shipping. The transfer of formal responsibility for imports of this class to the Ministries of Supply and Food did not by itself make things any better. Such a transfer took place in quite a big way in the spring of 1940; but the Ministry of Food was not yet ready to take direct control over minor items like wines and onions and canned fruits; these items, though they now figured on its programme, continued to be handled by private firms through the normal channels of trade. The Ministry of Supply was even less ready to take over from private importers full responsibility for stating the quantities of all the miscellaneous materials and components that British industry needed. In consequence, the Ministry of Shipping was forced to leave a sufficient margin of unallocated liner space to cover these undefined requirements. The commodities that flowed in through this channel were not always the ones that were needed by a nation at war; yet the national effort might well have suffered greater loss if the channel had been abruptly and prematurely blocked. Moreover, although ordinary people and the War Cabinet itself were prone to put special stress on the waste of shipping through importation of the mass of miscellaneous 'non-essential' articles, a far more formidable waste occurred through failure to determine the proper relative quantities of those bulk imports whose 'essential' character nobody would deny.

In summing up, it may be suggested that, if the pre-war estimates of shipping resources and the claims upon them had been less optimistic, some of the difficulties of the first war winter might have been avoided. Still more might they have been avoided if administrative preparations had been pushed further forward before the war began. However, once the war had begun, resolute action was soon forthcoming on the supply side of the shipping problem; the newly established Ministry of Shipping lost little time in measuring its task and instituting the controls necessary for its performance. It was on the demand side of the problem that action was dilatory.

Allowance must no doubt be made for some exceptional requirements of imports to speed the expansion of war production and for the unavoidable time-lags in expanding agriculture and other import-saving industries. What could have been avoided, or at least mitigated, was departmental boggling at the extent of the economies and efforts insistently demanded by the facts of the shipping situation.

And rationing, as will be shown in a later chapter,[1] might have been imposed more speedily.

The postponement of decisions which were unwelcome, but in the end inescapable, found support in an unexpected quarter, namely the Admiralty. Perhaps it was felt there that prompt and strict rationing would be a reflection on the Navy's ability to guard the food ships; perhaps anti-austerity preconceptions in statistical dress were the chief influence.

In the War Cabinet, the balance of forces during the first war winter favoured laxity of control. It was only by slow degrees that the War Cabinet prepared itself for its task of subjecting contending and excessive departmental claims upon shipping space to an agreed measurement of national necessity. Meanwhile, though there had occurred as yet no serious inflationary pressure against stocks,[2] the persistent refusal to scale down import requirements to real importing capacity found its counterpart in a drain upon stocks of imported commodities. The drain was unevenly distributed.[3] In the overall stocks position of the Ministry of Supply, the graphs show first a steep decline and then a wide deep trough. The Ministry of Food, thanks to the tenacity with which it defended its 20 million tons import programme and to the success, from December onwards, of its rationing policies, had more comforting graphs to contemplate: even before the fall of France, it was improving its stocks position and thereby gaining elbow room for the more balanced food policy it subsequently adopted. But of the national position as a whole the graphs tell a depressing story. When all due allowance has been made for the special difficulties of the change-over from peace to war, there still remains the obstinate contrast between a volume of imports far higher in the first year of war than in any subsequent year, and a seriously weakened stocks position. Government and people had failed in this time of grace to make provident use of British sea power. The nation had not as yet adjusted its imagination and will to the hard realities that would compel it, later on, to live lean.

[1] See below, Chapter VI, sec. (iii).

[2] See below, p. 153.

[3] For some of the details see Table 3(c) on p. 81.