

## CHAPTER VII

# INTER-ALLIED WAR ECONOMY

(i)

### Preparations

ON 30th October 1917, in a letter addressed to M. Painlevé, Mr. Lloyd George had appealed for a closer co-ordination of Allied efforts and the institution of 'an Allied joint council, with permanent military and probably naval and economic staffs attached'. In a letter addressed to M. Daladier on 6th July 1939, Mr. Neville Chamberlain quoted his predecessor's appeal and said, 'I feel that these words are as true today as when they were written'. Even before the onset of the Second World War, the British Prime Minister was proposing to start rebuilding the machinery of joint planning and action that had proved its efficacy amidst the defeats and victories of 1918.

As has been explained in a previous chapter,<sup>1</sup> that machinery had at its apex the Supreme War Council, which was constituted by the Prime Ministers and one other minister from each participating nation, and their official advisers. Both on the military side and the economic side the Supreme War Council was supported by official inter-Allied bodies—sometimes called executive committees or 'executives'—operating, in most instances, under the general supervision of joint ministerial 'councils'. The military committees and councils had been shaped more rapidly than the economic ones; indeed, the structure of economic co-operation was not completed until after the armistice, when a Supreme Economic Council was set up. The foundations, nevertheless, had been built firmly while the war was still raging. They had been built primarily upon the British shipping control, expanded into an Allied instrument for pooling that scarcest of all resources, mercantile tonnage. The Allied Maritime Transport Council recommended to its member governments—and most of all to the British Government, which controlled by far the greatest volume of tonnage—the adjustment of scarce shipping-space to the competing claims upon it. Those claims were stated, upon a basis of carefully sifted statistics, by twenty 'programme committees' which were grouped, before 1918 was out,

<sup>1</sup> See above, p. 38.

under two ministerial councils, a Food Council and a Munitions Council.

In August 1939 the British and French Prime Ministers agreed to reconstitute the Supreme War Council immediately upon the outbreak of war. They also agreed to appoint in advance of war 'permanent military representatives', to be chosen from the three fighting services of each country. The function of this combined military organisation was not very clearly defined *vis-à-vis* the High Commands; but it was in general intended to act as a kind of inter-Allied planning staff—in M. Daladier's phrase, a *Comité d'Étude Militaire Inter-Allié*. No similar body was contemplated as yet for joint economic planning; but it was stated that inter-Allied boards for supply, shipping and other economic matters might be needed later on. Meanwhile, the British proposed that each country should establish, at the centre of its administrative machine, an Anglo-French liaison section, not for the purposes of direct negotiation and planning, but in order to put together a complete picture of the negotiations and preparations which hitherto had been scattered rather confusingly amongst many departments, both military and civil.

Economic consultations between the civil departments of the two countries had been initiated some years before Munich; but they had if anything been even more desultory than the early military conversations. It was not until the late winter or early spring of 1939 that the two Governments signalled an emphatic *accelerando*. From the time of languid beginnings right up to the conclusions that will be described below, the scene of the consultations was London. The French were 'the visiting team'—a position which the British some years later found themselves in, after the United States had become the predominant economic power in the combination against the Axis.

It cannot be said that the British departments and their French visitors had achieved a very impressive body of combined economic preparations by the time war began. It was perhaps easier for them to agree upon plans of economic warfare against the enemy than upon plans for strengthening and combining their own economic resources: to decide what had to be done in order to deny oil imports to Germany was one thing, to agree upon a division of available tanker tonnage between France and the United Kingdom was quite another. In the main, the French were prepared to follow the British—who possessed a far better blockade organisation, as well as a far stronger blockading power—in specific operations of economic warfare, such as the negotiation of trade agreements with adjacent neutrals and the collation of the lists of export prohibitions. Economic warfare, subject to the limitations imposed by a strong desire to keep within the rules of international law, was by September 1939 fairly well provided for on an Allied basis.

Plans for building the war economy on an Allied basis were limited in the main to some rather restricted agreements in the sphere of overseas supply and purchase. Practically no attempts were made to integrate and balance the national armaments plans: each country had its own types of weapons and aircraft, its own production programmes, its own conceptions about the mobilisation of manpower, materials and plant. As regards overseas purchase of additional weapons, neither country thought itself able to do very much; but the French were preparing to do more than the British. The strongest impulse came from M. Jean Monnet, who had been sent to the United States to survey the opportunities for purchasing American aircraft.

Both countries were necessarily concerned with the procurement of overseas materials; but both too readily assumed that war would leave undisturbed the existing easy conditions of supply, and neither was in a position to produce reliable statistical estimates of consumption and stocks. Despite fairly continuous contact between British and French officials, the planning of a co-ordinated raw materials procurement policy did not get very far beyond a general undertaking to avoid competitive purchases.

Plans for combined action in the procurement of food were distinctly more business-like. The food problems of Britain and France were of course very different: one country was in an unusual degree dependent upon imports; whereas the other enjoyed a high degree of self-sufficiency. But this sufficiency was not of course complete. There were some important commodities, for example vegetable oil, which both countries had to import. At the same time, both countries were preoccupied with the market prospects of food producers in their colonial dependencies. Even before Munich, the visit of a French mission to the Food (Defence Plans) Department had resulted in a fairly comprehensive agreement—a joint food committee to be set up in London: co-ordinated purchasing of cereals, frozen meat, pulses, sugar and cocoa: joint purchasing missions in the chief neutral countries: each country, in its own colonial territories, to make all necessary purchases on behalf of its ally.

The procurement of food, raw materials and all other overseas imports raised the crucial problems of foreign exchange and shipping. Inter-Allied plans for handling these problems could not possibly be more efficacious than national plans; for in the approaching war, as in the past one, executive action would be the responsibility of the national governments, and the inter-Allied planning authorities could not efficiently perform their task of focusing the essential issues and recommending action unless the national administrations supplied them with exact and relevant information. Between the two Treasuries, there was a sufficient exchange of information

on the subject of foreign exchange resources. In April 1939 they communicated to each other their respective plans for emergency financial action and exchange control. The mutual communication of plans is not, however, the same thing as the construction of a common policy. When war broke out, the two Governments had not as yet reached agreement even about the methods whereby they would settle their war-time accounts with each other.<sup>1</sup> Moreover, there still remained between them an unresolved divergence of view about their respective shares of the burdens that would arise from pre-emptive purchases and the financial support of smaller Allies. The French might argue—later on they did argue—that France was ‘three times poorer than England’ and therefore should bear a proportionately smaller share of the burden: the British might reply that France had ampler means of making foreign payments than Britain possessed. Certainly, France had a larger store of gold, and an equal store of dollar securities. To what extent and through what agencies would the two countries co-ordinate their policies for mobilising their resources of foreign exchange? How would they collaborate in framing their currency-earning policies? Would they take effective steps to establish a common front of the pound and the franc? What was the extent of the interest which each possessed in the price and wage structure of the other? To none of these large questions was a precise answer given in advance of war. Nevertheless, the two Treasuries were in close and friendly contact with each other. They were, at any rate, under no illusions about the limits of their combined capacities to make foreign payments.

Unfortunately, the shipping authorities were not correspondingly aware of their limited resources of tonnage. Those shortcomings of British calculation that have been already described<sup>2</sup> projected themselves into Anglo-French planning. The French knew well enough that their own shipping would not nearly suffice for their own needs; but the British were confident that British shipping would more than suffice for British needs. Moreover, they felt sure that large blocks of neutral shipping would by the curtailment of alternative employment be driven into service with the Allies. In consequence, the French need have no fears: the deficiencies of their own mercantile marine would in full measure be made good. The French

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<sup>1</sup> On 23rd August 1939, the French submitted a draft convention for creating a clearing account and making reciprocal advances at four per cent. interest, to cover both the expenditure of British forces in France, and French expenditure in Britain and the British Empire, with possible extension to all overseas expenditures. The British had submitted a less far-reaching counter-draft. The discussions had proceeded no further when the outbreak of war and the crossing of the B.E.F. to France made speedy action essential. Both countries then agreed (8th September 1939) to postpone the complicated negotiation and for the time being advance to each other £4 millions for use in each other's territories. (cf. p. 190 below).

<sup>2</sup> See above, Chapter IV, Section (iii).

accepted this assurance; but they sought to make assurance doubly sure through the establishment of a combined Anglo-French organisation to charter neutral shipping and allocate it to each nation on the basis of a long-term estimate of comparative national needs. This suggestion ran counter to the ideas of the Mercantile Marine Department. It stood out for the arrangement of the previous war, under which chartering was entrusted to British firms, and allocation, even when it was by recommendation of an Allied organisation, was made on a short-term, voyage-to-voyage basis. The French reluctantly accepted this arrangement, which made them in large measure dependent upon their ally. The dependence might not after all matter very much, if their ally's forecasts of abundance were true. In the faith that the forecasts were true, French departments, like British ones, were expansive and vague in their estimates of requirements. The statistical bases of a scientific import programme were not worked out in Britain; still less were they worked out in France. In consequence, they could not be worked out for Britain and France in combination.

The flimsiness of Anglo-French shipping calculations may be illustrated from two essential commodities that have not up to the present been discussed—oil and coal. For oil, both France and Britain were equally dependent upon imports from overseas; for coal, France would be especially dependent upon imports from Britain, once her large supplies from Germany and Poland were cut off. There seemed no cause for misgiving about the availability in overseas countries of ample supplies of oil and petroleum products—with the possible exception of aviation spirit. Nor were there at that time any misgivings about the capacity of British coal-fields to satisfy to the full the expanded requirements of France.<sup>1</sup> According to the calculations of that time, the only limitation that need be seriously considered was the limitation of shipping space: oil signified tankers, coal signified colliers.

Of the petroleum imports of France in 1937 only 40·19 per cent. had been carried in French tankers; British tankers had carried 16·72 per cent.; the tankers of other nations had carried the rest. The French would doubtless have been anxious about their war-time prospects had not their British colleagues convinced them that neutral tankers would be available to them in plenty; believing this, they set down their requirements at a round 10 million tons for the first year of war. They offered no detailed statistical justification of

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<sup>1</sup> They would be expanded because of the increasing demands of the French munitions industries, the drastic French plans for calling miners to the colours, and the fact that in peace time France had been taking from Germany and Poland in most years a third and in some years nearly a half of her coal imports. It is worth noting that many of the French coal-mines were on the wrong side of the Maginot Line; also that French imports of coal, even in peace time, were *in weight* half the total of all French imports.

this figure; nor did the British ask for it. About French estimates of their coal requirements, the British shipping authorities were, for a time, considerably more critical. The Mercantile Marine Department argued in 1938 that it was too tall an order for British colliers, even with neutral aid, suddenly to push up their deliveries of coal to France from 7 million tons<sup>1</sup> to 20 millions—the figure the French stated. But, somehow or other, the British drifted into acquiescence with the French claim. By August 1939 they had committed themselves, tacitly at least, to supplying those 20 million tons of coal—a commitment that would necessitate the continuous employment of 600,000 deadweight tons of British and neutral shipping. This task was proved very soon to be beyond fulfilment.

## ( ii )

## The Record of Nine Months

Immediately war broke out the Supreme War Council was constituted and within the first three weeks of war it held two meetings.<sup>2</sup> The permanent military representatives were established already in their Whitehall headquarters. To be sure, they did not know precisely what their work would be; but they were busily trying to find out. On the economic side it was harder to make a start; for no authority had been established as yet to make plans for the Anglo-French economic effort as a whole. The deficiencies of piecemeal and partial departmental preparations soon made themselves felt. Those multitudinous difficulties that arose from the unforeseen shipping shortage imposed upon the alliance precisely the same strains as it imposed on British departments. Indeed, for the French the strains were harder to bear. Their representatives in London soon found themselves accused of exaggerating France's need of petroleum or coal or imported raw materials. They found themselves called upon to do what British departments themselves were as yet unable to do—to produce proven statistics, to declare import priorities, not for adjudication by an impartial Allied authority (for none existed) but for adjudication by the British Ministry of Shipping. They felt themselves being put in the invidious position of poor relations begging from door to door and liable to suffer rebuffs even from underlings.

On the British side, no less than on the French, there was a strong desire to achieve a more equal and efficient order of affairs. In the

<sup>1</sup> United Kingdom exports of coal to France (at a time when they would have greatly benefited the British economy) had declined from 14½ million tons in 1930 to just over 7 million tons in 1938.

<sup>2</sup> At Abbeville on the 12th, at Hove on the 22nd September.

War Cabinet Offices much thought was given to the best means of establishing, without the slow growth and wasteful improvisation of the previous war, that same effective co-ordination of Allied effort as had marked its close. Since the alliance was bound to be just as strong or as weak as the national machinery permitted it to be, the search for inter-Allied efficiency became intermingled—then as later—with the search for national efficiency. For that reason alone, if for no other, many responsible persons in British government service welcomed the strong drive that came very soon from the French, and in particular from M. Jean Monnet, a veteran of international economic planning both in the First World War and during the period of Geneva peace. Monnet had the ear of the French Prime Minister; he attended the second Supreme War Council at Hove; he was the main fountain-head of the letters, the memoranda, the minutes of official meetings and notes of informal discussions which from late September to early December marked the erection of a logical and genuinely combined structure of economic planning.

Monnet's ideas were first briefly expounded in a letter of 20th September from M. Daladier to Mr. Chamberlain; during the next fortnight they were more carefully elaborated in letters and memoranda of his own signature. At their root was the ardent purpose of a complete pooling of all Allied resources. Assuredly the full purpose could not be achieved all at once; but immediate steps could be and must be taken towards its realisation. Monnet proposed:

1. A common balance sheet of requirements and resources based on exact statistical data contributed by each ally.
2. Strong inter-Allied executive committees to deal with the main problems of supply and the governing factors of finance and shipping.
3. A series of policy committees or 'councils', composed in each instance of one British and one French minister, to direct the work of the executive committees.
4. An Economic Council, composed possibly of one British and one French minister, to give overall economic direction.
5. Joint purchasing arrangements in neutral countries. Here Monnet envisaged a vast Anglo-French organisation which would establish itself as the sole large purchaser in the world and be strong enough to compel neutral suppliers—perhaps even the United States—to do business with it on a credit basis.

Monnet's general conception found favour in London; but it was the general feeling there that the foundations of Anglo-French economic planning ought to be solidly laid before the complete superstructure was erected upon them. The British Government was at this very time seeking to introduce more system into its own economic

planning; these were the weeks in which the double-tiered Economic Policy Committee was being set up. Under its aegis would operate a committee of officials for the special business of Anglo-French purchase and supply. In the British view, the institutions of Anglo-French planning ought for the time being to be kept on the official, as distinct from the ministerial level. Monnet was informed of this conclusion on 6th November. The British whole-heartedly approved the executive committees he proposed; they were willing also to approve occasional consultations between these 'executives' and the appropriate ministers; but for the present they rejected the ministerial councils and the central Economic Council. They did nevertheless recognise the need to bring proportion, order and unity into the work of the specialist committees, and for this purpose they proposed an Anglo-French Co-ordinating Committee. It would be constituted in the main from the senior officials of the specialist executives; but it would have its own full-time chairman and would deal with the problems of priority and all general economic issues.

Monnet was at first disappointed. Of course, like everybody else, he had taken it for granted that the headquarters of Anglo-French planning would be in London; but he realised that the French, as 'visiting team', would be at a tactical disadvantage, and he had hoped to correct this disadvantage by infusing into Anglo-French co-operation the equalising element of ministerial authority. He was however quick to perceive the compensating potentialities of the Anglo-French Co-ordinating Committee, and in particular its office of chairman. The British were perhaps contemplating a joint committee of their usual inter-departmental pattern—to arrange and adjust the policies that originated elsewhere, not to initiate policies of its own. The French were determined—which means that Monnet was determined—to entrust to the chairman of the combined organisation a definite role of leadership, planning and organisation. They were also determined to secure for France the office of chairman. After a good deal of manœuvring and debate, the office was—inevitably—secured for Monnet himself. On 29th November he received from both Governments his letters of appointment and instruction. On 6th December he took the chair at the first meeting of the Anglo-French Co-ordinating Committee. There, on the authority of the instructions given to him, he declared himself an Allied official, representing equally both France and Britain.

It had taken three months to erect the institutional structure of Anglo-French economic planning—a third of the destined life of the alliance. The work had, nevertheless, by any fair comparison, been quickly done and well done. During the First World War, it had taken the Allies four years to achieve what this time they achieved in one quarter of a year. Later in the Second World War, the British



and Americans, though they had the Anglo-French experience to build on (with Monnet himself still active and ardent as a builder) failed to complete their structure of Combined Boards by adding to it an institution dedicated to the task of overall economic planning. If logic and comprehensiveness of structure were the only tests of adequacy, the arrangements made in December 1939 would have to be accepted as a high-water mark of achievement in the sphere of inter-Allied economic effort.

Nine separate executives were set up,<sup>1</sup> and began operations under clear and rational instructions. Each executive within its own sphere was expected to survey the requirements of the two countries and to make an inventory of their resources: to secure the best use of those resources in the common interest: to formulate joint import programmes, and under these programmes so to organise purchases as to eliminate competition between the Allied nations. Every executive which had responsibilities of importation was instructed to adjust its programmes to the limitations of 'cash' and 'carry', and in particular to maintain close contact with the Shipping Executive. If the proposed adjustments should prove in practice to be insufficient, the Shipping Executive would have authority to demand reductions; in default of agreement, the appeal would go to the Anglo-French Co-ordinating Committee and, if necessary, to higher political authority. The Co-ordinating Committee was a flexible body composed on the panel system from the chairmen of the executives (half of whom were British and half French) together with representatives from the two Treasuries and Foreign Offices, the British Board of Trade and the French Ministry of Commerce. To it were assigned the specific functions of co-ordinating the work of the executives and supervising the activities of Allied purchasing missions abroad. In addition, as has already been emphasised, the Co-ordinating Committee, and in particular its chairman, was given a wide commission to handle all problems of priority and to take the initiative in matters of economic principle and policy.

Amidst so much that was good, one thing only was lacking; the preparation of mind and spirit. Whereas in the First World War the late-emerging institutions of Allied co-operation had been solidly founded on hard experience and the deep-felt recognition of need, this time the institutions took formal shape in advance, not of the need, but of the experience and conviction of need. The lessons of the previous war, though they were stored in some men's minds and even written down in books, had not yet come vividly alive to the new men of 1939. For this reason, the record of the six months from late

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<sup>1</sup> The list of executive committees was as follows: Food, Shipping, Armaments and Raw Materials, Oil, Air Production and Supply, Economic Warfare, Textiles and Hides, Timber. The rather special Coal Requirements Committee brings the number to nine.

December to early June contains a good deal of frustration and poor performance.

There is no necessity, and indeed there is no space to make a complete list of shortcomings; but some illustrations may be taken from the salient territory of overseas supply. Inasmuch as British shortcomings in this sphere have already been recorded,<sup>1</sup> it will not be thought uncomradely if criticism is now extended to the French. Food policy had been if anything a shining example of sensible Allied co-operativeness in the period of preparation before the war; but on the Anglo-French Food Executive the spirit of co-operation was often severely strained. The Food Executive, like all the rest, was instructed in December to compile a preliminary short-term import programme covering the next three months. The French were slow in producing their part of the programme, and when they at last sent it in, it had to be sent back because it covered a different period from the stipulated one. After a time, the French sent in a statement of their requirements for a six-months' period; but this statement, like its predecessor, was inflated far above the available shipping capacity. Yet the French members of the Food Executive showed themselves resistant and touchy at the mere suggestion of criticism or cross-examination. When France was falling they were still resisting. They on their side had found plenty to complain about. For example, they had complained during the winter months that they were denied the ships to lift the oilseeds that were piling up in French West Africa while the crushing mills of France were idle through lack of supplies. They demanded, and they obtained, some compensating shipments of oilseeds intended for Britain. Thereupon they were accused of going behind the back of the Shipping Executive to squeeze extra tonnage out of the Food Executive.

At the root of these troubles was the pre-war failure to forecast aright the available supply of shipping, and the parallel, long-persisting failure to construct precise and realistic import programmes. This failure bedevilled the work of almost every executive committee. Thus the British representatives on the Textiles and Hides Executive knew the British army's requirements of boots; but knew nothing about the requirements of the other Services—not to mention civilian requirements. The French knew even less about their own needs. In Paris, the Commercial Counsellor of the British Embassy tried in vain to extract statistics from the departmental officials. 'Nobody', he reported, 'seems to have them, or to have authority to give them'.

Similar laments were in those days common. The oil situation produced a crop of them. During the first half-year of war, the

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<sup>1</sup> e.g. in Chapter IV, Section (iii) above.

combined oil imports of the Allies fell short of estimated requirements by approximately one half. The numbers of neutral tankers available had not come up to expectations. Early in March 1940 there were only 93 Norwegians on time charter to the British compared with the 150 that had been budgeted for. In the following months the situation improved considerably; but the French complained that they got less than their fair share of the improvement: whereas in March and April British imports of oil improved on the earlier monthly performance by a good deal more than 200,000 tons, French imports improved in March by little more than 30,000 tons; while in April they collapsed far below the figure of the previous January. British tankers were diverted and British stocks depleted to give emergency aid to the French; but the French demanded something more than emergency aid. They demanded justice. They said that more neutral tankers should have been allocated to them. When they were reminded that they had been granted almost as many tankers as they had asked for, they replied that they had too submissively scaled down their requirements at the instance of the Oil Executive. What they resented was being put in a position in which Britain, by her control of shipping, determined the French import programme. Yet they had been unable to contribute the information that was essential if an efficient and equitable combined import programme were to be compiled. The amateurish statement that they submitted to the Oil Executive in January had to be sent back because most of the essential information was missing. Until May, the shipping authorities were working in the dark. The Shipping Executive declared that under such circumstances it could not possibly do its work efficiently.

The coal situation produced if anything even more disgruntlement. This time there was no question of joint Allied importation, but only of British supply to France. To the French, adequate British supply was more than a matter of arithmetic and efficiency; it had a high moral significance as Britain's acknowledgement and requital to France of the more intense *effort du sang* that the French people would for some time be making. Even so, adequacy of supply could not be defined without efficient arithmetic, and this the French were quite unable to achieve. They found in November that they had over-estimated their loss of production through the call-up of miners and under-estimated their war-time savings of consumption: so they scaled down their requirements upon Britain from 20 million tons a year to 17 millions. Next month they scaled them down to 15 millions. But in the early months of 1940 they scaled them up again as the demands of their expanding war industries began rapidly to climb; by April the figure stood at 24 millions. Meanwhile, the British had failed to meet their ally's requirements even at the

15 millions level.<sup>1</sup> During the winter months, this failure had been largely due to an unpredicted shortage of coastal ships and to the dislocation of transport caused by the severe weather; but by the early spring, when a sufficiency of shipping had been at last assembled, an insufficiency of coal was for the first time revealed. Soon there followed those hectic weeks of crisis in which German armies overran the eastern coal-fields and French requirements upon Britain rose to the level of  $2\frac{1}{2}$  million tons a month. The British made extraordinary efforts to help: in May they shipped to France 1,814,000 tons. It was an effort that could not have been sustained for long. Nor was it required for long. Very soon there would be unemployment in British coal-fields specialised to export, and a release to the Forces of tens of thousands of miners who by the abrupt curtailment of demand had become—but for how short a time!—redundant.

In the main, imported raw materials, like labour resources in the partially mobilised home economies, remained in easy supply throughout the whole period of the Anglo-French alliance. It was the capacity to import that was strained: 'cash' and 'carry' once again. The two Governments, though they were vexed every day by the immediate shipping shortage, worried their heads a good deal more about the prospective shortage of foreign exchange. They had not thought it necessary to establish an Anglo-French Financial Executive; for the close and friendly contact already existing between the two Treasuries seemed to make this extra machinery unnecessary. After their stop-gap agreement of 8th September<sup>2</sup> about the money payments reciprocally due to each ally, the Treasuries set themselves seriously to the task of negotiating a long-term agreement which would establish an effective common front between the franc and the pound. The agreement was reached in December, after the negotiations had culminated in two personal conferences between M. Reynaud and Sir John Simon. Besides making long-term provision for their payments to each other, the two Governments accepted an allocation of the burdens of pre-emptive purchase and of financial aid to Allies in the ratio of Britain 3 : France 2. They also accepted a loosening of the restrictions upon Anglo-French trade—including Anglo-French trade in articles of luxury. But their most important preoccupation was to mobilise and conserve their joint resources of foreign exchange for the purchase of overseas, and particularly United States supplies. Broadly speaking, the French, both now and later, endorsed British plans for eking out the means of payment to cover the period of a three years' war. At least, they did not dispute the theory on which these plans were based. But their

<sup>1</sup> In October 1939, 663,000 tons of British coal were despatched to France; in November, 687,000 tons; in December, 784,000 tons.

<sup>2</sup> See above, p. 182.

own practice began increasingly to diverge from the theory. By placing orders for American aircraft considerably above the theoretically permitted level of expenditure, and by transferring these orders to their ally on the very eve of their own collapse, the French hastened the day when American resources would be mobilised to support Britain's defiance of Axis-dominated Europe.

To the very end, it was ships rather than dollars that were the immediate day-to-day preoccupation of Allied administrators and the most stubborn obstacle to an efficient economic partnership. It was on the French that the heaviest cost of the shipping shortage fell. A memorandum of the Anglo-French Shipping Executive, dated 30th April, 1940, summarised the position as follows:

<i>Import Requirements as stated for the first year of war</i>	
<i>British (excluding oil)</i>	<i>French (excluding both coal and oil)</i>
47 million tons	16 million tons
 <i>Rate of arrival of imports since the beginning of the war</i>	
<i>British</i>	<i>French</i>
Rate of 40.5 million tons per annum	Rate of 8 million tons per annum

The French may perhaps have inflated their requirements more than the British did, but surely not wildly enough to account for the glaring contrast between the two columns. According to the estimate, British imports during the first six months of the war had been falling short of requirements by approximately one seventh, while French requirements had been falling short by one half. It was hardly to be wondered at that M. Daladier should challenge the whole basis of Allied import policy. In a communication addressed to Mr. Chamberlain on 31st March, he proposed the following order of import priorities: coal, aircraft, armaments and materials, food. Coal, which came first on the French Prime Minister's list, represented the largest need of France; food, which came last on the list, represented the largest need of Britain. Inevitably, the British refused to accept this order of priority; indeed, they were unwilling as yet to give any high-political directives to the Shipping Executive and the Co-ordinating Committee. These bodies must therefore continue to wage their own struggle on behalf of realistic import programmes and an efficient allocation of shipping space. Their difficulties were great; but it would be a serious historical mistake to undervalue the progress they made in overcoming them. Still more would it be a mistake to adduce the short-term balance sheet of comparative national advantage—which was in large measure the product of upheaval and incomplete control during the early months of war—in justification of a cynically nationalist interpretation of the competition for scarce resources. The British chairman of the Shipping Executive worked strenuously with M. Monnet towards the objective of an equitable

pooling of the combined resources of tonnage. In the early summer of 1940 this objective did not seem so very distant. But by then, another commodity had become still more scarce than shipping. That commodity was time.

The fatality of time may easily distort the historian's judgment of what was achieved during the short nine months of British and French partnership in war. A fair summing up of the partnership ought to lay stress, not merely upon those frustrations that were the predestined product of inadequate preparations before the war, but also upon the genuine gaining of ground achieved during this difficult period of economic mobilisation. A sorry tale has already been told of a vindictive dispute about oil-seeds; but much pleasanter tales could be told of French efforts to help the British through their wheat crisis and British efforts to make good French shortages of meat. In the procurement of overseas supplies, there occurred at first some fantastic rivalries between the agents of the two Governments;<sup>1</sup> but within a few months competitive bidding was eliminated. What the two Governments achieved in their purchases of food they achieved, under circumstances of still greater difficulty,<sup>2</sup> in their purchases of raw materials—the establishment of a common front, sometimes through liaison between their purchasing missions, sometimes by entrusting to the agents of one country purchases on its ally's behalf.

In retrospect, it is possible to trace a path which begins in the muddles of the early months but leads towards a clear-sighted programme of combined economic effort. No muddle was ever greater than the timber muddle. In September 1939, at least three British departments sent agents to France and neighbouring countries to bid for timber. Not one of these agents established satisfactory relationships with the various French authorities that had a producer or user interest in timber. The French, on their side, expressed themselves unable to meet even the requirements of the British Expeditionary Force; their department of *Eaux et Forêts* was anxious about stocks but had no programme for increasing or even maintaining production; on the contrary, it seemed to fear that the British would want it to use Canadian lumbermen to replace the French workers who had been called to the colours. The establishment of the Timber Executive at first made little difference. But German victories on the soil of France made all the difference. On Monnet's initiative the Co-ordinating Committee in late May

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<sup>1</sup> e.g. French agents by competitive bidding for Australian tallow forced its price up against the Ministry of Food which was buying it on behalf of France.

<sup>2</sup> In Britain, centralised control and even knowledge was considerably weaker in the sphere of raw materials purchases than in the sphere of food purchases. In France, all the British weaknesses of organization existed in an exaggerated form.

proposed, and the two War Cabinets approved, the following drastic measures:

Reduction of Anglo-French timber imports from  $10\frac{1}{2}$  to  $4\frac{1}{2}$  million tons.

Expansion of Anglo-French timber production from  $5\frac{1}{2}$  to  $11\frac{1}{2}$  million tons.

This plan had symbolical significance. Its basic principle was the maximum expansion of import-saving production at home in order to achieve the maximum economy of shipping. Simultaneously, it expressed the new determination of both Governments to spend their dollars in ways that would save their ships; for the programme of home production would not be achieved without large importations of North American machinery to expedite the felling of French and British forests. Nor would it be achieved without bringing in companies of North American lumbermen to give skilled direction to the expanded labour forces at home. Total economic effort at home was the dominating note of the plan. Its spirit was self-help. But it also implied realism and forthrightness in the demands that would be made henceforward on the economic resources of the New World.

Within a few weeks of the formulation of this new plan for timber, Britain was left its sole inheritor. It may be said that the inheritance was a barren one—no more than a paper programme for a task which had not even been begun. To this objection there is an answer. Education in the habit and technique of inter-Allied planning, in the definition of large tasks and the precise calculation of means for their achievement, was an inheritance from the partnership with France that is hard to measure, but hard also to rate too high. In ways that will be made clear later on, the Americans, in their turn, became participators in this inheritance.<sup>1</sup> In contrast with the tragic discontinuity of the military struggle, there is a striking continuity in the struggle for economic mastery: it is symbolised in the continuing services of Monnet, of his British co-workers—who in this history are not mentioned by name<sup>2</sup>—and of the American colleagues who became in due time infused with their spirit. It can be traced in the

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<sup>1</sup> For example, in securing the consent of the British and French Governments to the expanded programme for American aircraft which is described below, Monnet employed the 'balance sheet' technique which later was used with great effect (see below, p. 232) in British-American planning. He confronted the Governments with devastating figures comparing Allied aircraft production with German, as estimated by the two Air Staffs and the Ministry of Economic Warfare. In similar 'balance sheets' compiled later on, estimates of requirements on the basis of accepted strategic plans took the place of the speculative figures of enemy production.

<sup>2</sup> For the reasons of constitutional convention explained in the preface, a similar one-sidedness of emphasis occurs throughout this book. The personal services of permanent British civil servants are veiled in anonymity; whereas the corresponding services of a Frenchman or a Canadian are on occasion specifically recorded.

sequence of documents, Anglo-French documents to begin with, British-American ones later on—the signposts of that immense mobilisation of combined resources which after five years overwhelmed the enemy powers.

Moreover, some immediately fruitful things were included in Britain's inheritance from her partnership with France. Not all the joint planning bodies had made such a poor start as the Timber Executive. The best start of all had been made where it was most needed, in the building up of air strength against the enemy. There were, of course, severe limitations upon what the Anglo-French Air Executive could achieve; for each of the Allied countries was already committed to its own types and its own production programmes. Immediate opportunities for dovetailing these programmes into a genuinely combined productive effort were for the most part restricted to mutual aid in the supply of raw and fabricated materials: for example, Britain helped France with supplies of duralumin and drop stampings, France helped Britain with supplies of 'mousse' rubber for self-sealing petrol tanks. It was in the field of American supply that the two countries worked most effectively together. The French aircraft mission in the United States became by initiative of Monnet and by decision of the Supreme War Council an Allied mission working under the close oversight of the Anglo-French Air Executive. At its sixth meeting on 28th March 1940 the Supreme War Council approved a plan for the purchase by 1941 of 8,000 engines and 4,700 frames at a cost of \$614 millions. The two Governments thus committed themselves, despite their misgivings about the means of payment, to the expenditures that initiated, or at least immensely hastened the war-time expansion of America's aircraft industry. And when their combined work was thrown into jeopardy by the military collapse of France, one last dramatic act of Allied solidarity salvaged it for Britain. At 3 a.m. on 17th June, Mr. Arthur Purvis and M. Bloch-Lainé signed at Washington an agreement which assigned to Britain, for the token payment of one dollar, all the contracts the French Government had made with American war industry.

Always there is the same concluding note—trans-Atlantic transition. That transition had been most skilfully prepared. In late November 1939, when Monnet secured the chairmanship of the Anglo-French Co-ordinating Committee, a British subject and Canadian citizen named A. B. Purvis was made chairman of the Anglo-French Purchasing Board in the United States. This board was not the complete fusion of national organisations that Monnet had desired, but neither was it the fictional confederation that he had feared; for it had its own combined headquarters and secretariat, and its chairman was vested by his instructions with 'a high degree of



effective authority' as an Allied official representing both Governments through a chain of responsibility the end of which Monnet himself held. To make this high authority practically effective was not, however, an easy matter. The obstacle was not merely national separateness, but departmental separateness existing within each national organisation. The French organisation was in fact no more than a bundle of missions, each separately attached to its parent department. The British Purchasing Commission, of which Purvis (in his national capacity) was head, had no authority to make contracts for the Air Ministry or the Raw Materials Controls or the Machine Tools Control: its original mandate was restricted to orders on the production side of the Ministry of Supply.<sup>1</sup> Both as a British and as an Allied official, Purvis found his work hampered by the 'uncontrolled purchases' which, as he repeatedly complained, 'destroyed his background' with United States industry and the United States Government. Not until the early summer of 1940 did he win decisive success in the struggle to extend his own direct responsibility of purchase, and—what was no less important—to receive as of right complete detailed information about the actions and plans of all other purchasing bodies. This information was essential to him if he were to secure for the Allies, or for Britain alone, a fair share of the expanding American production.

It is true that the expansion of industry under America's 'war preparedness programme' (the American version of rearmament) was, up to the time of Dunkirk, only a trifling affair. Even so, when added to Allied orders and the normal requirements of American civilian industry, it was imposing a visible strain upon the unmobilised and uncontrolled economy of the United States. In the machine tool industry, for example, existing American production was falling short of the total demand of the home civilian market, the war preparedness programme, and Allied orders. Admittedly, there was plenty of room for the more economical use of machine tools in American industry; but should the Allies decide to increase their demand for aircraft and other finished implements of war, a genuine shortage would make itself felt until such time as the Americans created new productive capacity. The shortage might very quickly become critical should the Americans simultaneously enlarge and speed up their own rearmament. The United States Government was anxious to make provision against these dangers, and had

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<sup>1</sup> It was not until mid-June that Purvis was given responsibility for the machine tools and iron and steel purchasing programmes. It is also worth noting that up to this time the B.P.C. had been, in form at least, a subordinate branch of the British Supply Board in Canada and the United States. This organisation had been established in Ottawa immediately on the outbreak of war, when the American arms embargo was still unrepealed and Canada was in consequence the only reliable North American territory for the expansion of Allied war potential.

established within the Treasury a 'synchronisation committee' charged with the task of estimating and if possible regulating the competing claims upon American industry. It was essential that the claims of the belligerent democracies should be comprehensively and precisely stated; otherwise they might be swept off the board when the neutral democracy of America made up its mind to vote funds for a large-scale expansion of its own fighting services. Mr. Morgenthau, Secretary to the Treasury, repeatedly warned Purvis of these dangers and repeatedly pressed him for a complete statement covering all Allied requirements. Purvis, in his turn, put persistent pressure upon his masters at home. His warnings were given patent justification when the President of the United States, between 16th May and 10th July, sent three special messages to Congress requesting defence appropriations totalling \$7,100 million—a trivial sum in comparison with the appropriations that came afterwards, but more than three times the money that had been requested in the regular budget message of January 1940.

By this time, Purvis had sufficient authority to state and defend the claims of Britain and the Commonwealth, now fighting alone against Germany and Italy and their satellites. After the fall of France the Anglo-French Co-ordinating Committee had been wound up; but the North American Supplies Committee in London inherited and expanded its functions. The chairman of that committee was Sir Arthur Salter, a friend and collaborator of Monnet's in two wars and in the work of Geneva between the wars. Monnet himself went to America to enter British service under Purvis. The same men set themselves with added resolution to the same work. In London the word was given: 'Talk big and at once.'