PART III

From Dunkirk to Pearl Harbour

STATISTICAL SUMMARY OF THE PERIOD[1]

1. NATIONAL FINANCE

(a) *National Income and Expenditure*

	£ million				Percentages			
	1938	1940	1941	*1944*	*1938*	1940	1941	*1944*
1. National income	*4,707*	6,066	6,978	*8,310*	*100*	100	100	*100*
2. National cost of consumers' goods and services	*3,713*	3,931	4,006	*4,452*	*79*	65	58	*54*
3. Government current[2] expenditure:								
i. War	*327*	2,600	3,643	*4,481*	*7*	43	52	*54*
ii. Other	*440*	484	497	*536*	*9*	8	7	*6*
4. Net capital formation at home	*297*	−145	−352	*−500*	*6*	−3	−5	*−6*
5. Net lending abroad	*−70*	−804	−816	*−659*	*−1*	−13	−12	*−8*
6. Net national expenditure at factor cost	*4,707*	6,066	6,978	*8,310*	*100*	100	100	*100*

Figures for national income and expenditure are *net* in that they exclude sums allowed for depreciation and maintenance and are at *factor cost* in that they include subsidies but exclude indirect taxes.

Source: Cmd. 7371 and Central Statistical Office

[1] See note at beginning of first statistical summary, p. 75.

[2] i.e. local government and national insurance funds as well as central government.

(b) *Personal Expenditure on Consumers' Goods and Services at 1938 Prices*

	£ million			
	1938	1940	1941	*1944*
1. Food	*1,287*	1,138	1,036	*1,120*
2. Alcoholic beverages	*285*	276	287	*274*
3. Tobacco	*177*	178	196	*205*
4. Rent, rates and water charges	*491*	508	502	*503*
5. Fuel and light	*197*	202	205	*193*
6. Household goods	*288*	216	163	*100*
7. Clothing	*446*	372	275	*275*
8. Books, newspapers and magazines	*64*	59	61	*73*
9. Private motoring	*127*	38	30	*8*
10. Travel	*163*	132	148	*188*
11. Communication services	*29*	27	27	*42*
12. Entertainments	*64*	53	75	*90*
13. Other services	*483*	438	418	*343*
14. Other goods	*177*	162	131	*113*
15. Income in kind of the Armed Forces	*17*	67	98	*152*
16. Total of above items	*4,295*	3,866	3,652	*3,679*
17. Adjustment[1]	*−7*	17	19	*27*
18. Total	*4,288*	3,883	3,671	*3,706*

Source: Cmd. 7371 and Central Statistical Office

(c) *Average Weekly Government War Expenditure: Exchequer Issues of Defence and Vote of Credit Expenditure*

	£ thousands
1939 December	*29,600*
1940 May	*35,500*
1940 June	51,800
1940 December	70,600
1941 June	68,800
1941 December	87,800
1944 December	*91,100*

Source: Central Statistical Office

(d) *Central Government Expenditure, Revenue and Borrowing*

Calendar years	£ million			Revenue as percentage of expenditure
	Expenditure	Revenue	Borrowing	
1938	*1,040*	*893*	*147*	*86*
1940	3,584	1,397	2,187	39
1941	5,052	2,172	2,880	43
1944	*6,078*	*3,328*	*2,750*	*55*

Source: Cmd. 7371 and Central Statistical Office

[1] The adjustment is to convert the total in line 16 to a total of purchases out of British income.

(e) Proportion of Personal Income Required to Meet Taxation

£ million

	1938	1940	1941	*1944*
Personal income . . .	*4,884*	5,823	6,508	*8,072*
Direct tax payments . . .	*439*	585	770	*1,328*
Indirect taxes on consumption .	*611*	808	1,045	*1,294*
less Subsidies on consumption .	*−36*	−88	−137	*−202*
Total tax payments out of personal income	*1,014*	1,305	1,678	*2,420*
Tax payments as a percentage of personal income . . .	*21*	22	26	*30*

NOTE: The rise in the proportion of tax payments to personal income was not all due to increases in rates of taxation; it also reflected the increased consumption of highly taxed goods and services—beer, tobacco, entertainments.

Sources: Cmd. 7371 and Central Statistical Office

(f) Prices and Wages

	Weekly wage rates: estimated increase in all industries[1] Sept. 1, 1939 = 100	Average weekly earnings in certain industries[2] Oct. 1938 = 100	Cost of living Sept. 1, 1939 = 100	Price index of total consumers' expenditure 1938 = 100	Import prices Aug. 1939 = 100	Export prices Aug. 1939 = 100	Wholesale prices Aug. 1939 = 100
1939 Sept.	*100*	—	*100*	—	—	—	*108*
1940 June	109–110	130	117	Year 1940 = 120	148	121	137
Dec.	115	—	126		153	132	151
1941 March	119	—	127	Year 1941 = 134	158	135	154
June	120	142	129		159	139	155
Sept.	123	—	128		162	143	157
Dec.	123–124	146	130		163	149	159
1944 Dec.	*145–146*	*176*	*130*	*Year 1944 = 150*	*See Note 3*	*See Note 3*	*170*

Source: Central Statistical Office

[1] Some small industries are omitted. Figures for wage rates relate to the end of the previous month in order to make them comparable with the cost-of-living index, which relates to the beginning of the month mentioned.

[2] The figures represent the average earnings, including bonus, overtime, etc., and before deduction of income tax or insurance, in one week, in January and July of each year. Administrative and clerical workers and other salaried persons are excluded.

[3] There are no comparable figures in this series after 1941.

2. MANPOWER

(*a*) *Total Population of Great Britain*

Thousands

	1939	1940	1941	*1944*
TOTAL	*46,466*	46,889	46,875	*47,627*
0–13	*9,231*	9,187	9,101	*9,239*
M. 14–64 / F. 14–59	*31,923*	32,281	32,245	*32,386*
M. 65 and over / F. 60 and over	*5,312*	5,421	5,529	*6,002*
MALES	*22,332*	22,632	22,600	*22,975*
0–13	*4,672*	4,656	4,615	*4,698*
14–64	*15,887*	16,168	16,140	*16,261*
65 and over	*1,773*	1,808	1,845	*2,016*
FEMALES	*24,134*	24,257	24,275	*24,652*
0–13	*4,559*	4,531	4,486	*4,541*
14–59	*16,036*	16,113	16,105	*16,125*
60 and over	*3,539*	3,613	3,684	*3,986*

NOTE: 1. The figures have been given for Great Britain only, to correspond as closely as possible with the tables given elsewhere showing the distribution of manpower by industry. It should be noted however that in the manpower tables the figures for the Armed Forces include an unknown number of recruits from outside Great Britain (mainly from Northern Ireland and Eire) who are not included in the total population figures above.

2. The figures for 1939 exclude men serving overseas in the Armed Forces and Merchant Navy (estimated at between 200,000 and 250,000). From 1940 onwards all members of the Armed Forces and Merchant Navy are included, whether at home or overseas. Prisoners of war in enemy hands are included in 1944, but are mainly excluded from earlier figures.

Source: Central Statistical Office

(b) *Distribution of Labour Force of Working Age in Great Britain*

Thousands

	June 1939	June 1940	June 1941	*June 1943*
Working population:				
Total	*19,750*	20,676	21,332	*22,286*
Men	*14,656*	15,104	15,222	*15,032*
Women	*5,094*	5,572	6,110	*7,254*
Armed Forces:				
Total	*480*	2,273	3,383	*4,762*
Men	*480*	2,218	3,278	*4,300*
Women	—	55	105	*462*
Civil Defence, N.F.S. and Police:				
Total	*80*	345	383	*323*
Men	*80*	292	324	*253*
Women	—	53	59	*70*
Group I Industries:				
Total	*3,106*	3,559	4,240	*5,233*
Men	*2,600*	2,885	3,140	*3,305*
Women	*506*	674	1,100	*1,928*
Group II Industries:				
Total	*4,683*	4,618	4,845	*5,027*
Men	*4,096*	3,902	3,856	*3,686*
Women	*587*	716	989	*1,341*
Group III Industries:				
Total	*10,131*	9,236	8,283	*6,861*
Men	*6,387*	5,373	4,524	*3,430*
Women	*3,744*	3,863	3,759	*3,431*
Registered Insured Unemployed:				
Total	*1,270*	645	198	*60*
Men	*1,013*	434	100	*44*
Women	*257*	211	98	*16*
Ex-Service men and women not yet in employment:				
Total	—	—	—	*20*
Men	—	—	—	*13*
Women	—	—	—	*7*

NOTE: 1. The figures include men aged 14–64 and women aged 14–59, excluding those in private domestic service. Part-time women workers are included, two being counted as one unit. The figures refer to Great Britain only, except for the the Armed Forces, which include an unknown number of volunteers from Northern Ireland, Eire, etc.

2. Group I covers metal manufacture, engineering, motors, aircraft and other vehicles, shipbuilding and ship-repairing, metal goods manufacture, chemicals, explosives, oils, etc.

Group II covers agriculture, mining, National and Local Government services, gas, water and electricity supply, transport and shipping.

Group III covers food, drink and tobacco, textiles, clothing and other manufactures, building and civil engineering, distribution trades, commerce, banking and other services.

Source: Ministry of Labour and National Service and Central Statistical Office

3. SUPPLIES FROM ABROAD

(*a*) *United Kingdom External Disinvestment*

(as far as recorded: probably an under-estimate)

£ million

	1940	1941	Total *Sept. 1939–June 1945*
Realisation of external capital assets	164	274	*1,118*
Increase in external liabilities[1] [2]	179	564	*2,879*
Decrease or increase (—) in gold and U.S. dollar[2] [3] reserves	474	—23	*152*
Unallocated	—6	5	*49*
TOTAL	811	820	*4,198*

NOTE: The figures given in the above table are those in Cmd. 6707 and are the only ones at present available. The totals given in Cmd. 7099 for the years 1940–45 are however slightly smaller, so that the figures in the table will need slight adjustment throughout.

(*b*) *United States Lend-Lease to the British Empire*

$ million

	1941 (March to December)	*Total March 1941–Aug. 1945*
Ships (sail-away)	65	*2,107*
Munitions destined for:		
United Kingdom	86	*8,648*
Rest of Empire and other war theatres	100	*6,886*
Other goods destined for:		
United Kingdom	576	*7,442*
Rest of Empire	10	*1,646*
Services	245	*3,344*
Total aid to British Empire	1,082	*30,073*
Aid to other countries	20	*2,872*

Source: Central Statistical Office

[1] Comprising banking liabilities less assets, and funds held in the United Kingdom as cover for overseas currencies, etc.

[2] After deduction of outstanding liabilities to provide gold against sterling liabilities and of liabilities to convert U.S.A. holdings of sterling into dollars on demand.

[3] Gold valued at 172s. 3d. per ounce fine and dollars at £1=$4·03.

(c) *Exports of Produce and Manufacture of the United Kingdom*

	Value as recorded £ millons		Index of Volume 1935=100	
	Including Munitions	Excluding Munitions	Including Munitions	Excluding Munitions
1938 Quarterly average	*117·7*		*98*	
1940 2nd Quarter	*129·8*		*91*	
3rd Quarter	93·9		63	
4th Quarter	67·6		44	
1941 1st Quarter	79·7		50	
2nd Quarter	81·2		51	
3rd Quarter	85·8		52	
4th Quarter	118·7		69	
1944 Quarterly average	*82 1*	*66·6*	*38*	*31*

NOTE: 1. As the figures up to the end of 1941 do not show munitions separately, it is impossible to get comparable figures.

2. The index of volume is calculated on quantities revalued at 1935 prices and expressed as a percentage of the quarterly average in 1935.

Source: Board of Trade

(d) *Shipping Gains and Losses*

Gains and Losses of British Flag Tonnage 1,600 g.t. and over

Gross tonnage figures in thousands

	Gains		Losses		Net Gain (+) or Loss (−)	
	Non-tankers	Tankers	Non-tankers	Tankers	Non-tankers	Tankers
Quarterly average for first nine months of war	*283*	*47*	*264*	*58*	*+19*	*−11*
1940 3rd Quarter	652	65	726	166	−74	−101
4th Quarter	438	29	868	88	−430	−59
1941 1st Quarter	490	68	802	170	−312	−102
2nd Quarter	351	78	1,028	199	−677	−121
3rd Quarter	452	154	465	40	−13	+114
4th Quarter	401	102	296	79	+105	+23
Total for 1941	1,694	402	2,591	488	−897	−86
Total for 1942	*1,834*	*277*	*3,341*	*693*	*−1,507*	*−416*
Total for 1943	*2,784*	*273*	*1,609*	*217*	*+1,175*	*+56*

NOTE: 1. Gains cover new vessels and acquisition of foreign tonnage.

2. Losses cover war and marine losses, captives and miscellaneous.

3. It is important to realise that

(a) figures for gains are no guide to the post-war position since they include ships due to be returned after the war.

(b) figures of gains and losses give only the very crudest guide to the shipping position. Carrying capacity per million tons of shipping is equally important, but this must necessarily be discussed in the text.

4. For definition of gross tons and deadweight tons see p. 80 above.

Source: Ministry of Transport

(*e*) *Imports*

Imports under Departmental Programmes

(excluding imports from Eire)

Million tons

	Non-tanker Imports				Tanker Imports[1]
	Total	Ministry of Food	Ministry of Supply	Munitions, Miscellaneous	
Quarterly average 1934–38	*13·75*	*5·5*	*6·5*	*1·75*	*4·1*
Quarterly average October 1939 to end of June 1940	*11·3*	*5·5*	*5·5*	*0·3*	*3·2*
1940 3rd Quarter	10·3	4·3	5·8	0·2	2·7
4th Quarter	8·4	3·2	5·0	0·1	2·6
1941 1st Quarter	7·0	3·1	3·7	0·11	2·3
2nd Quarter	7·9	3·9	3·7	0·24	3·3
3rd Quarter	8·2	4·2	3 8	0·21	4·4
4th Quarter	7·8	3·5	4·0	0·23	4·0
Year 1941	30·5	14·7	15·0	0·78	13·6
Year 1942	*22·9*	*10 6*	*11·5*	*0·8*	*10·7*
Year 1943	*26·4*	*11·5*	*12·8*	*2·0*	*15·1*

Source: Central Statistical Office

[1] Petroleum products, molasses, unrefined whale oil, industrial alcohol and, from January 1943, acetone.

(*f*) *Stocks of Food and Raw Materials in the United Kingdom*

Million tons

End of month	Food and animal feeding stuffs			Raw materials		Petroleum products	Principal commodities					
	Total	Stocks other than on farms	Stocks on farms	Total[1]	Covered by import programme		Iron-Ore[2]	Steel[3]	Timber[4]	Non-ferrous metals[5]	Wheat	Flour
Beginning of War	*10·5*	*3·7*	*6·8*	*13·1*	*11·8*	*6·7*	*2·4*	*1·0*	*3·9*	*0·7*	*1·0*	*0·3*
1939 December	*7·5*	*3·8*	*3·7*	*12·2*	*10·7*	*5·8*	*1·9*	*0 8*	*3·4*	*0·7*	*0·8*	*0·3*
1940 June	5·1	4·9	0·2	11·5	10·1	6·3	2·3	0·8	2·8	0·7	1 4	0·7
December	10·6	5·1	5·5	14·4	12·5	5·4	2·0	1·7	4·1	0·8	1·3	0·7
1941 March	6·9	4·5	2·4	13·9	12·2	4·6	1·7	2·0	4·0	0·8	1·0	0·6
June	5·2	5·0	0·2	13·8	12·3	4·7	1·9	2·2	3·5	0·8	1·6	0·7
September	11·6	5·7	5·9	14·4	12·8	6·0	2·0	2·5	3·3	0·8	1·7	0 9
December	13·4	6·4	7·0	14·7	12·9	7·0	2·1	2·6	3·0	0·9	1 4	0·9

[1] Excluding consumers' stocks of steel.

[2] Including home produced iron-ore at the imported equivalent.

[3] At producers' works and in British Iron and Steel Corporation stockyards, including material in transit. Consumers' stocks are excluded.

[4] Softwoods, hardwoods, pitwood and constructional plywood.

[5] Copper, zinc, zinc concentrates, lead, tin, nickel, bauxite.

Source: Central Statistical Office

CHAPTER VIII

'IF NECESSARY FOR YEARS, IF NECESSARY ALONE'

MODERN wars cannot be fought, nor can their history be understood, without the aid of statistical measurement. In the period now to be recorded, the British Government refined its techniques of measurement and extended their use: in consequence, the historian of British war economy, prone though he may be to grumble about his data, is able to express an increasing part of it in numbers. Yet at the very outset he finds himself confronted with a fact, and that the most important of all, which admits no numerical representation. The significance of this fact had been divined, years before the war, by the planners of British manpower, who confessed that all their arithmetic must remain hesitant and unreal unless and until the British people should show themselves ready to give their services upon command, and should provide themselves with a Government strong enough to accept the responsibilities of command.[1] That happened after the decisive House of Commons debates of 7th and 8th May 1940 upon the conduct of the war. On 10th May, Mr. Churchill's all-party Government took office and power. On that same day the Germans invaded Holland and Belgium.

Amidst the disasters of the next weeks and months, Britain and the British Commonwealth began to win the war. The statement is deliberately paradoxical: in terms of statistics it would make no sense for 1940—not, indeed, for a long time after that. To a detached observer in June 1940 it would have made no sense in any terms at all. But detached observers of that time did not see everything; nor did they understand everything they saw. The British people themselves had been throughout the past winter too much detached from the war. They now passionately attached themselves to it. This was the great transforming fact, the motive power of all subsequent achievement. A united Government and people made victory their watchword.

The evacuation from Dunkirk was completed on the night of 3rd June. Next day Mr. Churchill found it expedient to remind the House of Commons that Dunkirk was a great British defeat. The nation had been acclaiming it as a great deliverance. Ordinary people were looking forward to a new match 'on the home ground'.

[1] See p. 62 above.

Mr. Churchill tempered their ardour by warning them that the approaching battle would be no more than the prelude to long years of struggle.

> . . . If all do their duty, if nothing is neglected and if the best arrangements are made as they are being made, we shall prove ourselves able once again to defend our island home, to ride out the storm of war, and to outlive the menace of tyranny, if necessary for years, if necessary alone.

In that summer, when it might well have seemed vain to take thought for any but the most immediate of morrows, the Government was thinking and working in lengthening dimensions of time: the days ahead, the weeks and months ahead, the years ahead. In the short run, there was no longer any meaning in the old deliberate plans of mobilisation for a three years' war; British survival depended on the efforts of the next weeks and days. But, as immediate dangers were in rapid succession fended off, the forward view of work and battle lengthened into a future no longer closed by the clear horizon of three years. From the series of improvisations that made survival possible, a long-term plan once again took shape; though of the manner and the time in which the plan would bring victory there could be no prediction.

In early June, while the little ships were still clearing the Dunkirk beaches, the Government was preparing to send new divisions into Normandy. In mid-June it announced its proposal of indissoluble union between the British and French peoples. Next day Marshal Pétain's Government surrendered to Hitler, and there was immediate danger of the French Navy falling into German hands. That danger was fended off at Oran. In August, while the invasion forces across the Channel were awaiting the issue of the great air battles, the War Cabinet sent reinforcements of armour and artillery to General Wavell's Army of the Nile. In October, when the Battle of Britain had been won and the Germans were switching their bombers to the continuous night bombardment of British cities, it sent heavier reinforcements to Egypt. They did not arrive in time to support the two divisions with which General Wavell won his December victories. In these months there had been no magical mobilisation, no sudden discovery of the secrets of planning; in Egypt and over England the decisive battles were won by resurrection of the national will, together with quick improvisation, daring, and such scanty resources as had been provided by the limited effort of an earlier time. But the unlimited effort of the years ahead was all the time taking shape.

A document prepared by the economists in the War Cabinet Offices bears the title *Urgent Economic Problems* and the date 3rd June 1940—the last day of Dunkirk. The proposals contained in this document were comprehensive—the scientific programming of imports, the

resolute building-up of stocks, the increase of dollar-earning exports wherever they could be produced without detriment to war production, the intensive mobilisation of fighting and working manpower, the drastic curtailment of civilian consumption, the policies of distribution and finance that would make the sacrifices of civilians equitable and endurable. In all this, there was nothing that could sway the impending battle. Victory in that battle, however, won time and as the war became calculable once again in months and years instead of weeks and days, the economic problems that had been listed did indeed become urgent. Upon their quick mastery depended the possibility of final victory in a still distant time.

The chapters that follow will discuss these economic topics, each in its due order. Together, they were the constituent elements of a co-ordinated war economy which was itself embedded in war strategy. The present chapter will first outline the strategical background and then briefly review the institutional means whereby economic co-ordination was achieved.

* * *

In the long history of the British people the experience of 1940 was not all new. There had been other years in which they had been left to fight a lonely battle for national freedom and the public law of Europe. Their stubbornness in these past crises had made them the constant rallying centre of new coalitions. In 1940, there was no reason to despair of history thus far repeating itself. Meanwhile, Hitler dominated the continent of Europe, as Napoleon had dominated it before him. The basic requirements of defence were still the same. First among them was the security of the United Kingdom. From 1940 until the time of deep German involvement in Russia, the threat of direct invasion from across the Channel set severe limits to the strengthening of British forces further afield.

There was another well-remembered threat. The Germans would certainly once again attempt what they had so nearly achieved a generation earlier, the starvation and strangulation of Britain by cutting off her overseas supplies. This time the enemy was better based for his attack and could command a greater variety of means. He could launch aircraft as well as U-boats against ships at sea and could bombard British ports from the air. By March 1941, Britain's shipping difficulties had become her greatest danger. The story of these difficulties and of how, towards the end of 1941, they seemed to be conquered, is told in a separate chapter.

The main convoy battles were fought on the direct Atlantic approaches to the United Kingdom; but the struggle for command at sea spread, as it had always done, to other waters and coasts. It was necessary to prevent the Germans from extending the chain of

bases from which they could attack British routes of communication and supply. They might attempt an advance through Spain and Portugal, an assault upon Gibraltar, the complete dominance of the western Mediterranean. They might try to seize the Atlantic islands. They might infiltrate into French West Africa and menace the British base at Freetown. Italy's entry into the war had already put Malta in a precarious position. The warding off of so many dangers was a severe burden upon the Royal Navy, whose resources were already at fuller stretch than they had ever been in the 1914–18 war, and upon the air and land forces that were so badly needed at home. In Spain, everything rested upon diplomacy; but reinforcements were sent to West Africa and Malta, and an expedition was made ready to forestall the Germans in the Atlantic islands should the moment come.

Most critical of all was the situation in the eastern Mediterranean and the whole Middle East. Other countries sometimes had difficulty in understanding why Britain gave to the defence of the Middle East such high priority. But at the other end of the Suez Canal lay the approaches to the Indian Ocean. Apart altogether from the Iranian oil and the other valuable supplies that came from countries bordering this ocean, the security of its communications was held by the Chiefs of Staff to be an essential condition of the British Commonwealth's war effort and, indeed, its very existence. To hold an outer ring of defence was not enough; it was necessary to keep the enemy out of Egypt, Syria, Iraq, Iran and Turkey: otherwise he would master the whole Mediterranean and the approaches to India. Moreover, on the further side of India the Japanese had fixed their eyes menacingly upon Indo-China, Siam, Malaya, the Netherlands Indies—possibly even upon Australia. The Chiefs of Staff advised that to reinforce the Australian defences Britain must be prepared in an ultimate emergency even to abandon the struggle in the Middle East. Such a decision would be desperate indeed. It need never become necessary if relentless fighting in the Middle East safeguarded one entrance to the Indian Ocean while the other entrance was held and the southward movement of Japanese forces checked by a reinforced 'Malaysian barrier'. Singapore, covered on one side by the Malayan mainland and strengthened on the other side by the air bases in Borneo, was the key point of this barrier. Its defence was held to be a major necessity of grand strategy, second only to the defence of the United Kingdom.

Prospects of success in this basically defensive strategy fluctuated with the fortunes of battle and the turns of diplomacy. Early in 1941 the War Cabinet took the risk of offering direct challenge to the invading Germans on the mainland of Greece; a few months later it was struggling to avert a complete caving in of the Middle Eastern defences, not only in Crete, Libya and Egypt but also in the back

areas of Syria, Iraq and Iran. Throughout the whole period, despite some fleeting gleams of victory, British power on land and sea and in the air was being strained almost to breaking point. From all over the world came demands for more divisions, more army equipment, more air squadrons, more naval help and sometimes for all four at once. Early in June, the Chiefs of Staff were emphasising that only the most inexpensive of new commitments could be undertaken unless very grave risks were to be imposed upon the whole defensive system. A few days later, the Germans invaded Russia. Here at last was the prospect of a decisive long-run transformation of strategy; but its short-run consequence was an immediate and desperate call for a second front in Europe—a call that Britain could not possibly answer.

Ever since the fall of France the British had been struggling desperately not to lose the war. But how did they propose to win it? They certainly could not win it by producing new, astronomical programmes for the armed forces. In September 1940 the existing programmes of munitions production had been reviewed and confirmed. It was hoped to have all the fifty-five Army divisions ready by the summer of 1942 and to have ready, somewhere about the end of 1942, 6,600 front-line aircraft. Of course, the balance of the programmes was altered from time to time. It was, for example, necessary to keep under constant review and from time to time to modify the balance between the building of capital ships and lighter ships, between the Royal Navy and the Merchant Navy[1] and between new building and repairing. The Air Force programme reflected an important trend in the development of strategical thought; for by the summer of 1941 a front-line strength of 4,000 heavy and medium bombers was being planned instead of the 2,800 contemplated a year earlier. These numbers could not be achieved merely by switching human and material resources from the lighter to the heavier types; they necessitated large increases in the total of aircraft production as well as in the establishment of the R.A.F. But the fixed boundary to the expansion of military and industrial manpower and other resources was already coming into sight: if a larger share were devoted to one Service, the requirements of the others would have to be severely scrutinised and possibly curtailed. And all the time it was essential to keep a proper balance between the nation's fighting and working strength. In the autumn of 1940, the Prime Minister had insisted upon a higher proportion of armoured divisions in the Army, no matter what the difficulties might be. In the spring of 1941 he fixed a definite ceiling to the Army's numerical strength.

These difficulties will be examined in greater detail in the next manpower chapter. Here it is sufficient to observe that the British,

[1] It was in this period that the decision was taken to make a continuing sacrifice in the building of merchant ships for the sake of naval building.

despite the formidable expansion of their strength, could not afford to indulge themselves in day-dreams of a magical multiplication of their forces and equipment. In retrospect it has now become clear from captured enemy documents that the pace of British effort in this period was far outstripping the German one; but the Germans and their Italian allies, not to mention the threatening Japanese, had already established themselves in the dominating positions. The British were compelled to fight a defensive war: they fought it in an offensive spirit. Even in June 1940 the Prime Minister had given warning that an overdose of the defensive atmosphere might induce that 'mental and moral prostration to the will of the enemy' which had ruined the French. He called for the organisation of Commandos to raid enemy and occupied lands and keep the Germans wondering where they would be struck next. In the Middle East, too, the order was not to sit tight in Egypt but to drive the Italians out of East and North Africa. For a time it was hoped to eliminate Italy from the war; but this hope faded as the Germans brought Italy under their own control. There were disappointments great and small; yet in the month before Pearl Harbour the desert army engaged itself once again in an offensive against the German-Italian forces in Libya.

These attacks on the perimeter could not bring about the downfall of German power. Nor was there as yet any possibility of a frontal attack against Europe. The Chiefs of Staff drew some comfort from the reflection that the strength of a country's economy and of its morale were objectives of decisive importance: unremitting pressure against these objectives could wear the enemy down. Opinions about the effectiveness of the blockade weapon varied. It was generally admitted that Germany's control of Europe had put into her hands so many sources of essential supplies that the weapon was now blunted. Nevertheless, hope was put in the cumulative effect of a large number of German difficulties and deficiencies, none of which was in itself decisive. Still greater hope was built upon the German shortage of oil: in the autumn of 1940 British experts were estimating that the shortage might by the end of 1941 become disastrous to the enemy. Subsequently it was realised that the leaks in the blockade had been too big; but even so, the denial of oil to Germany was not least among the reasons for clinging so tenaciously to the British position in the Mediterranean.

To recapitulate: a military offensive at the centre was not yet possible; but it could be prepared by aggressive warfare against the enemy's economic strength and morale. In this warfare the blockade, though still important, would need to be reinforced by other weapons. Sabotage and propaganda must be organised in enemy-held territories and Germany must be bombed. It might seem strange that the British, who had made no effective retaliation for Warsaw

when they held the advantage of position, should decide to enter the bombing competition when their own cities were overlooked by the enemy's airfields on the Atlantic coast and the enemy's cities were screened by a wide belt of heavily defended territories. Indeed, it was inevitable that British cities should for a long time suffer more heavily than German ones. But there was no other way of making the conquering Germans swallow in their own homeland the nasty medicine of war. 'The bombers alone', wrote the Prime Minister in the autumn of 1940, 'provide the means of victory. We must therefore develop the power to carry an increasing volume of explosives to Germany so as to pulverise the entire structure on which the war effort and economic life of the enemy depends.' Confidence in the ultimate effects of bombing grew and in 1941 the production target was raised, as has been seen, to a front line force of 4,000 heavy and medium bombers.

To estimate the effects of bombing upon Germany, in this or any other period of the war, lies outside the scope of the present book and, indeed, the whole series of civil histories.[1] All that is here required is an outline of the strategical concepts in which economic policy was framed. It was realised in 1941 that the decision to expand the production of bombers could hardly begin to produce important military effects until 1942–43. Even then, the war might drag out to an appalling length if the only way of ending it was to hammer German productive power and morale from the air. The Germans, therefore, would have to be speeded down the road of collapse by direct military assault. Even in the years of desperate British defence, the British planners looked forward to D-Day.

For a nation that was encompassed by so many and great dangers, it was a brave act of faith even to envisage the frontal assault upon Hitler's European fortress and the final overthrow upon Continental battlefields of German military power. The detailed and realistic planning of such vast operations could not possibly begin at a time when the forces and their equipment were scarce on all the fronts from London to Singapore. Even if the most generous estimates were made of armed uprisings in the subdued countries of Europe, the manpower sum did not work out. D-Day, therefore, was in 1941 'the distant future'. When would it come? There was little attempt to conceal the feeling that, without the active belligerency of the United States, it might remain a dream.

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In 1940, the British Government was still groping towards effective policies for the mobilisation of men and machines, shipping and

[1] A preliminary estimate is contained in the *United States Strategic Bombing Survey*, mentioned above (p. 71).

money. In 1941, it found them and could thereafter move rapidly to the peak of a great war effort.

This advance would have been impossible if the machinery of government had not been working reasonably well. It was not, it will be remembered, a question of legal authority.[1] The powers taken at the beginning of the war were very nearly comprehensive and they were made complete by the emergency powers over persons and property granted by Parliament in May 1940. Far less satisfactory, when Mr. Churchill formed his all-party administration in that month, was the central organisation of government.

On the defence side, the new Prime Minister saw his way clearly. He saw no reason to change the Chiefs of Staff Committee and its subsidiary organisations; as Minister of Defence, he took into his own hands the direct management of this machinery. To assist him, he instituted two Defence Committees, the one for operations, the other for supply. The main feature of the system was its flexibility. There is no need to record here—though on the supply side the matter will later on claim brief mention—the varying composition of the Defence Committees and the fluctuations in their spheres of activity. Nor is there any need to recall the protests and attacks that were made against the system in days of adversity. It was often said then that the offices of Prime Minister and Minister of Defence should not be combined in the same person; but in the end all but the most factious or captious critics recognised the combination of Mr. Churchill and the Chiefs of Staff (for that was the core of the system) as a war-winning one. In substance, it continued unchanged from the summer of 1940 until the war had been won.

On the civil side, remedies for the early shortcomings of central direction and control were not so easy to find. It was, nevertheless, very important to find them, and even while the battle was raging in Belgium the Prime Minister made his first experimental reorganisation. He wanted to reduce the number of committees which ministers were expected to attend and also to find some answer to the insistent criticism that there was no central direction of the economic effort. Yet the changes he announced on 4th June hardly fulfilled these hopes.[2] Six main civil committees emerged from the reorganisation. The Civil Defence Committee and the Food Policy Committee continued unchanged. The Home Policy Committee also continued, but henceforward was to contain two sections—one for legislation, the other to deal with problems of the home front and the social services. The Ministerial Economic Policy Committee was given a considerably enlarged membership and wider terms of

[1] See Chapter III, section (i).

[2] See H. of C. Deb., Vol. 361, Cols. 769–771 (4th June 1940).

reference, being authorised from now on to 'concert and direct general economic policy'. The ineffective Ministerial Priority Committee was replaced by a Production Council which was to determine priorities and generally to direct and oversee the production drive: the Council retained the existing sub-committees on priorities for materials, manpower, building and transport, and added two more—one on industrial capacity and another to report on the manpower requirements of production programmes. Lastly, a new 'steering' Committee, the Lord President's Committee, was established. Its function was to co-ordinate the work of the other five civil committees and to ensure that no part of the field was left uncovered.

The numbers and functions of most of the main civil committees had not been radically changed. Nevertheless, there were important new principles at work. Officials no longer held a high place in the system: for example, the 'two-decker' structure of the committees on food policy and economic policy disappeared by elimination of the sub-committees of officials. More important were the new methods whereby co-ordination was sought. When Mr. Chamberlain was Prime Minister, much reliance had been placed upon the Treasury's predominance in the system of civil committees. The role of the Treasury was now greatly reduced. The chairmanship of the Economic Policy Committee and the Production Council was given to the Minister without Portfolio (Mr. Greenwood), while the Lord Privy Seal (Mr. Attlee) became chairman both of the Food Policy Committee and the Home Policy Committee. This was one method of seeking co-ordination—to make the same War Cabinet Minister chairman of two committees, and at the same time to make generous provision for overlapping membership. A second and more effective bid for co-ordination was made through the Lord President's Committee. Its membership was confined to the chairmen of the other civil committees, together with the Chancellor of the Exchequer and the Minister of Supply. Its willingness to take firm hold of the powers ascribed to it was very soon shown when it decided that no problems in the sphere of home affairs and economic policy should go from the other committees to the War Cabinet until it had itself first discussed them. It proved to be the most permanent element in the reorganisation of the summer of 1940.

This reorganisation had been made in haste at a time of great stress. When the Prime Minister surveyed the system of civil committees at the end of 1940, it was clear that no answer had as yet been found to the complaints about the lack of unified and comprehensive direction in the sphere of economic policy. In Parliament and in the newspapers various suggestions for reform had been put forward: some people wanted to see all economic power vested in a single minister, others advocated a planning committee composed of

ministers who, having been freed from all departmental responsibilities, would be able to give their undivided attention to economic policy. The Prime Minister did not believe that either of these proposed remedies would work. He did not think it feasible to create on the civil side a minister who would exercise the same authority as the Minister of Defence did on the military side. He himself could effectively discharge his functions as Minister of Defence only because he was Prime Minister also. Moreover, the work to be done on the civil side was far more complicated; it touched an infinite number of interests and any attempt to impose there the same kind of direct centralised control would lead to endless friction. Nor was it likely that harmony and efficiency would be served by instituting a superior ministerial directorate of economic planners. It was, for example, not easy to envisage Mr. Ernest Bevin either as an economic planner without any direct responsibility for controlling the nation's manpower, or as the mere instrument, in his departmental sphere, of a manpower policy laid down by a superior and aloof authority. Policy and executive responsibility could not be so easily divorced. Indeed, the Prime Minister was at that time seeking solutions of a quite different kind. 'Committees', he wrote, 'which are advisers or consist of persons without the administrative machines and departments at their disposal and without responsibility for making good any decisions to which they come, are an encumbrance from which I am sedulously endeavouring to free our system.'

The Prime Minister decided to try the experiment of entrusting specific powers of decision under important heads of economic policy to small groups of ministers who in their departmental capacities must carry the responsibilities of executive action. To clear the ground, he abolished both the Production Council and the Economic Policy Committee, diverting the Minister without Portfolio, who had been chairman of these two unwieldy and ineffective bodies, to the studies of post-war planning. In place of the Production Council, the Prime Minister instituted a small Production Executive[1] in which the Minister of Labour and National Service and the three ministers responsible for the Service programmes were the chief members. The Production Executive was intended to look after the allocation of materials, labour, industrial capacity, etc., and to establish priorities where necessary. An Import Executive was also set up. Its task was to explore the whole import situation—the rival claims upon shipping of military strategy and imports as well as priorities between different

[1] In October 1940, the Prime Minister had hoped to secure a higher integration of war production by giving Lord Beaverbrook the double office of Minister of Supply and Minister of Aircraft Production. Lord Beaverbrook's health, however, did not permit him to accept the invitation and the idea was dropped. (H. of C. Deb., Vol. 377. Col. 1402. 10th February 1942.)

classes of imports—and also to secure co-ordination between unloading at the ports and inland transport.

The institution of these two 'Executives' fell a good way short of a complete reorganisation at the centre. There were many functions of economic policy still waiting to be bestowed. They were bestowed upon the Lord President's Committee. It still retained responsibility for 'steering' the business of the other civil committees. In addition, it now had committed to it those 'large questions of economic policy' that formerly had belonged to the Economic Policy Committee. The Prime Minister was anxious about these questions. 'They raise', he said, 'the most difficult and dangerous political issues. These issues were not solved in the last war and I cannot pretend they have been solved in this. If the Lord President's Committee . . . cannot present satisfactory solutions, I do not know where to look for the means.' The Committee was therefore empowered to keep continuous watch, on behalf of the War Cabinet, over the general trend of economic development, and the Lord President himself was urged to exercise vigorous personal leadership.

This reorganisation of War Cabinet machinery on the civil side was announced in the first week of January 1941 and was on the whole well received;[1] but during the next twelve months it did not altogether work out according to expectations. The performance of the two 'Executives', which had been framed for action rather than for debate, proved disappointing. The Production Executive never took charge of the main production plans, which in this period were substantially determined in the Defence Committee (Supply). In the last half of 1941, it met only five times. Meanwhile, there had been insistent public demands for a Minister of Production to co-ordinate the activities of the three Supply Departments. Early in 1942 the Prime Minister decided that a Minister of Production had become necessary, not for the reasons hitherto advanced, but to handle the new problems of international co-ordination arising from America's entry into the war. The Production Executive then finally lapsed. The Import Executive had been only a little more successful. After all, the whole import situation was governed by the allocation of shipping between military and civil uses, and this was a matter which could hardly be settled below War Cabinet level. Moreover, one of the specific difficulties which the Import Executive had been instructed to tackle—the co-ordination of port management and inland transport—was tackled in another way when the Ministries of Shipping and Transport were fused together in May 1941 as the Ministry of War Transport. Meanwhile, in March 1941, the Prime Minister had begun meetings of a Battle of the Atlantic Committee,

[1] The reorganisation was announced in *The Times* on 7th January 1941 and debated in the Commons a fortnight later (H. of C. Deb., Vol. 368. Cols. 81–150, 21st January 1941).

which at the beginning concerned itself chiefly with operational matters but soon went on to consider anything to do with imports. The Import Executive continued its rather attenuated existence until May 1942. It then gave place to a Shipping Committee which was instituted at the official level, not to decide, but to report.

Against the decline and fall of the two 'Executives', there stands in brilliant contrast the career of the Lord President's Committee, which became during 1941 the most important focus of civil government under the War Cabinet, handling and settling a great deal of the business which the War Cabinet itself would otherwise have had to carry as an additional burden. The Committee did not specifically concert and direct the work of the other civil committees as its terms of reference empowered it to do; but it dealt successfully with almost all those 'large issues of economic policy' about which the Prime Minister—and many of the Government's critics—had been so deeply concerned. During most of 1941 these issues—prices and wages, compensation, the level of home consumption, rationing, concentration of industry, mobilisation of manpower—occupied the most prominent place on the Committee's agenda, along with other economic problems of an emergency or 'crisis' character—such as the supply of coal, rubber, petroleum and other materials that were seriously scarce. Before the end of 1941 the main lines of economic policy had been clearly determined. Having mastered its economic task, the Lord President's Committee began effectively to take hold of the more general home front problems which the Home Policy Committee had been intended to solve. In February 1942, the home front and social services section of the Home Policy Committee was abolished and its functions were formally transferred to the Lord President's Committee. During the same period, the Food Policy Committee had been declining; for all the more important food questions were bound up with those wider issues of which the Lord President's Committee had taken control. In February 1942 the Lord President himself became Chairman of the Food Policy Committee. He found small advantage in perpetuating its separate existence; it met only twice in 1942 and did not survive into 1943.

The Lord President's Committee had thus achieved pre-eminence in the civil sphere: of all the other committees that had once been prominent, only the Civil Defence Committee and the Legislation Committee (originally the Legislation section of the Home Policy Committee) survived. Yet it would be an exaggeration to say that complete unity of governmental direction had been established over the whole range of British war economy. The interpretations of economic data submitted by the Prime Minister's Statistical Branch, a small group of economists and statisticians organised under Lord Cherwell, frequently made a positive contribution to the formulation

of policy on such diverse matters as food and shipping, the production of weapons and the size of the land forces. Meanwhile, formal organisation at the centre still left a rather uncertain frontier athwart the territory where the strategical forces merged with the economic ones. In the days of the Production Executive, production problems arising directly from the strategical plans had in practice gone to the Minister of Defence and his experts, i.e. to the Defence Committee (Supply), and afterwards there remained some uncertainty in the division of the field between the Lord President's Committee and the Ministry of Production. In general it might be said that the Lord President's Committee concentrated its attention upon the economic consequences arising from the suction of resources into the war production zone, but did not take responsibility for the positive employment of resources in that zone. Nevertheless, the allocation of manpower was made under the Lord President's aegis up to the end of 1943; Sir John Anderson then retained this responsibility when he left the office of the Lord President to become Chancellor of the Exchequer.

Apart from his work in committee, the Lord President personally exercised co-ordinating functions over a wide field. Sometimes he took action in response to requests made to him to arbitrate upon interdepartmental disputes; sometimes he handled problems—for example, the distribution of coal during the winter of 1940–41—remitted to him by the War Cabinet. And often the Lord President was asked to focus, for decision by the War Cabinet, issues of general policy which concerned several departments—for example, the allocation of manpower, the heavy-bomber programme, or plans for the military occupation of Persia.

This work of co-ordination was done with a very small staff. The Lord President's personal staff consisted only of a junior private secretary and a senior personal assistant: however, he was able at need to draw help from the War Cabinet Secretariat, and particularly from the economists and statisticians established within it. Between Dunkirk and Pearl Harbour there occurred a notable advance in the harnessing of economic and statistical intelligence to the tasks of government. It will be remembered that the Stamp Survey had formed a Central Economic Service to assist its researches. After the change of government in May 1940, this Service was greatly expanded. The first fruits of this expansion were two series of statistical digests, which for the first time assembled the main heads of information necessary for keeping under continuous review the economic problems of the war. In January 1941, the Stamp Survey ceased and the Central Economic Service was split into two separate sections—the Central Statistical Office and the Economic Section—both belonging to the War Cabinet Secretariat.

The function of the Central Statistical Office was to collect from government departments regular series of figures on a 'coherent and well ordered basis covering the development of our war effort'; by direction of the Prime Minister, these figures were to form an agreed corpus, not subject to departmental argument, but accepted and used without question. They were not, of course, restricted to the civilian side of the war effort: the work of the Central Statistical Office covered the military departments as well. The range of the Economic Section was, perhaps, rather more restricted. Its duties comprised the collection of economic intelligence and the preparation of economic surveys. Probably the most important part of its work was advising the Lord President on the economic problems that came before him, in committee or otherwise.

It should be emphasised that, during this period, the economic and statistical advice available to the majority of government departments was similarly increasing. Possibly the most notable advance occurred at the Treasury, where, in the autumn of 1940, Mr. J. M. Keynes was appointed economic adviser. No attempt can be made here to estimate the growth and consequences of Keynesian influence at the Treasury; but reference must be made to one interesting product of collaboration between the Treasury and the economists and statisticians of the War Cabinet Offices. In April 1941 appeared the first white paper on national income and expenditure.[1] During the first period of the war, the Government had been singularly lacking in appreciation of the overall design of the national economy. Economic and statistical experts outside government service had tried to assess the capacity of the country to meet the increasing demands of war; but had found that the statistics available for estimating the potential income of the nation and the proportion the Government could take for direct war purposes were very inadequate.[2] In the summer of 1940, the Government's statisticians and economists set out to remedy this deficiency. By the end of 1940 they had made preliminary estimates of national income and outlay. Meanwhile, private estimates were still being made by economic journalists and writers who held responsibility for influencing public opinion, but had no access to the official work. These private estimates differed widely from the official ones. The Treasury therefore decided that the official estimates should be published, together with the official analysis of the sources of war finance. The white paper which resulted was warmly greeted, and showed that in this particular branch of political arithmetic England still held the lead first gained for her by Sir William Petty and Gregory King in the seventeenth century.

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[1] Cmd. 6261.

[2] See e.g. J. M. Keynes, The Income and Fiscal Potential of Great Britain' in the *Economic Journal*, December 1939.

The figures of the white paper and of its improved successors are used throughout this book when they have immediate relevance to the problems under study; but in the chapters that follow emphasis will necessarily be laid upon the nation's specific physical resources, and the manner in which they were employed. The present brief review of the institutions of economic policy-making should therefore close by emphasising once again the pre-eminence gained by the Lord President's Committee in determining, over a wide range, the manner in which specific economic problems were tackled. For the benefit of such ingenuous political scientists as may be prone to pore too closely over organisation charts, one word of caution needs to be added. The rise of the Lord President's Committee has been recorded in its main phases; but it has not been fully explained. A full explanation would, of course, do justice to institutional factors, such as the small, fixed membership of representative ministers (mostly War Cabinet members) which gave the Committee a corporate entity and continuity of policy; but it would also lay considerable stress upon those biographical aspects of war history which are, of set purpose, omitted from the present book. Here it need only be said that the history of an institution is also the history of the men who exercised leadership within the institution. Just as the collaboration between Mr. Churchill and the Chiefs of Staff gave the Defence Committee its own special character, so also did the Lord President's Committee take its stamp from the personality and endowments of Sir John Anderson and the manner of his collaboration with his civilian advisers.