

## CHAPTER IX LEND-LEASE

(i)

### Growth of American Support

**E**VEN in the darkest months of 1940 and 1941, the United Kingdom did not fight alone. The resisting European Governments found sanctuary in Britain, small bands of fighting Frenchmen, Poles, Norwegians, Dutch, Belgians and Czechs took up battle stations with the British forces, while in their subdued homelands obstinate patriots tuned in to Big Ben and formed with each other those first conspiratorial groupings that grew later into the Resistance. Moreover, in the early winter of 1940, while Wavell's men were winning the first desert victories, the Greek state and people flung back Mussolini's attack. For the British people, these were great months—fit climax to the Battle of Britain and fit reward for their civilian fortitude. The reward and the respite were all too brief, for the spring of 1941 brought heart-breaking defeats. But in mid-summer the war reached that 'fourth climacteric' proclaimed and welcomed by Mr. Churchill<sup>1</sup> when Hitler tore up the Molotov-Ribbentrop pact, condemned the German nation to war on two fronts and presented the British nation with a great Continental ally. It is true that the Russian alliance brought no economic relief to Britain; as will be shown later, it brought new economic strain. But the strategical relief it brought was immediate and great.

The strategical burden of the previous twelve months had not fallen upon British shoulders only. When the wireless propaganda of Dr. Goebbels accused the British people of pushing Australians and New Zealanders, Indians and South Africans into the most dangerous fighting, it advertised a truth of great moment for the world's freedom; in this year of decision, Britain was not an isolated island, but the rallying-centre of Commonwealth and Empire. The reinforcement of her national power was both military and economic. While Canadian soldiers shared with their English, Scottish and Welsh comrades the defence of the United Kingdom, Canadian farms, factories and shipyards were working for victory without any reservations about cash and carry. While forces from India and the southern Dominions were fighting in the Middle East alongside United Kingdom forces to veto the junction of European and Asiatic

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<sup>1</sup> In his broadcast speech of 22nd June 1941.

aggressors, an 'Eastern Supply Group', of which Australia, India and South Africa were the chief members, was taking from British shoulders part of the weight of military supply in this area. It could not, however, take the main weight. The United Kingdom had to supply more than three-quarters of the Empire's military manpower and an even larger proportion of the military equipment.<sup>1</sup>

From the time of Dunkirk, the British Government had made insistent claims upon the United States: self-help without stint or limit did not exclude, but rather encouraged the expectation of American help. As early as 15th May 1940, the Prime Minister had telegraphed to the President:

If necessary we shall continue the war alone, and we are not afraid of that. But I trust you will realise, Mr. President, that the voice and force of the United States may count for nothing if they are withheld too long.

Throughout May and June, both before the German-French armistice and after it, Mr. Churchill sent to the President many personal telegrams containing specific requests for aid.<sup>2</sup> The same requests were made through the usual channels in official communications from Government to Government; for example, they were systematically enumerated in the aide-mémoire presented by Lord Lothian to the State Department on 3rd July. The aid requested was of two kinds: immediate aid, weapons that the Americans could deliver at once, action that they could take at once: long-term aid, the tasks that American industry would have to set itself if it were to provide, at some future date, the tools 'to finish the job'.

The demands for immediate aid, and the American response to them, cannot be discussed without some reference to the evolution of America's neutrality policy. Needless to say, no British historian is competent as yet to handle this topic with authority; all that the present writers will offer is a minimum of relevant comment suggested by the British documents, which reveal, not the full content of American policy, but those contemporary British interpretations of it that influenced British action. It is simple enough to write down the things the British demanded: the lists are clear. On 15th May, Mr. Churchill asked the President for 'forty or fifty of your old destroyers'. That was always the most urgent demand.<sup>3</sup> On 17th July Mr. Churchill told the President: 'Nothing that America could do would be of greater help than to send fifty destroyers—except sending a hundred.' But destroyers were not by any means the only reinforcements

<sup>1</sup> See the index given on p. 373 below.

<sup>2</sup> All important communications from the Prime Minister to the President were, of course, approved in advance by the War Cabinet.

<sup>3</sup> On 7th April 1940 the Royal Navy had 189 destroyers: of this number thirteen were sunk and thirty-three damaged in the fighting off the coasts of Norway and Dunkirk—to say nothing of the loss of the French destroyers, synchronising with Italian belligerency and the advance of German air and naval bases.

the British needed for their struggle at sea: they asked the Americans to give them motor torpedo boats for Channel fighting and seaplanes for Atlantic patrol: they wanted the United States Navy to make a show of power by sending units to the Mediterranean and to Iceland: they asked the United States Government to consider whether it was ready to take steps leading to the abolition of the 'combat zones'—for it was a reinforcement of their carrying capacity in dangerous waters that they needed, not only of their fighting strength. They needed at the same time immediate help for the battles they might very soon have to fight on their own soil against invading German armies. They asked for American aircraft for the R.A.F. and American rifles, machine guns, field guns and mortars to replace some of the equipment that the B.E.F. had lost in France and to arm the Home Guard.

The American response was governed by psychological and political conditions which the British Ambassador in Washington explained, so far as he was able, to his home Government. Lord Lothian reported that the time was now past when Government and public opinion in the United States, despite their democratic sympathies, would make more fuss about the contraband control or the searching of mail in the West Indies or the reduced British purchases of apples and tobacco than about the illegalities and aggressions of Nazi Germany.<sup>1</sup> Admittedly, there were some Americans who still made gestures of neutral impartiality which were in effect pro-Axis: as late as November 1940, a prominent American opened a campaign for sending food ships to those 'five European democracies' which, he said—with an impartiality truly impeccable—were being starved by 'the British and German blockades'.<sup>2</sup> By this time, however, it was only a small fringe of Americans who thought of British seapower as anti-democratic; the immense majority of Americans saw in the Royal Navy a champion of 'democracy'—including the democracy of America. President Roosevelt expressed these feelings when he declared at Charlottesville on 12th June 1940:

We will extend to the opponents of force the material resources of this nation, and, at the same time, we will harness and speed up the use of those resources in order that we ourselves in the Americas may have equipment equal to the task of any emergency and every defence.

But how to balance these two objectives—immediate aid to British democracy which was already an 'opponent of force', and the equipment of American democracy which might oppose the same force later on? Lord Lothian reported the Americans to be divided in their

<sup>1</sup> The friction arising between the United States and the British and French Governments, chiefly as a result of blockade measures, had led to the sending of a special Anglo-French mission to Washington (the Rist Ashton-Gwatkin mission) early in 1940. The mission arrived in February and stayed till May: a general understanding was announced by an American communiqué dated 26th April 1940.

<sup>2</sup> Speech at Vassar, 14th November 1940, by Mr. Herbert Hoover.

own minds: they were convinced by the events of May and June that Britain was the only barrier between themselves and immediate danger, but they had no confidence in the tenacity of the barrier. They wanted to give help, but they feared that any help they might give would be too little and too late. They found it hard to decide whether to strengthen the British in the front line or to despair of the British and concentrate on defending their own hemisphere—or quarter-sphere: even that phrase was coined. Under these circumstances, British self-help was the most effective way of inducing American help. By the autumn, Lord Lothian was able to report that the Battle of Britain and London's toughness had inspired a renewal of American confidence in British nerve and strength. The policy of 'defending America by helping Britain' was now 'really representative of average American opinion, and for the first time the British became popular in America'.

Against the background sketched by Lord Lothian, the British Government could more easily assess the significance of America's response to its requests for immediate aid. Some of the requests, particularly those which called for American support in the struggle at sea, were turned down or put off. The President felt unable to send naval units to the Mediterranean or Iceland, or to ask Congress for the removal of the ban on the entry of American merchant ships into dangerous waters. Nor did he at first feel able to satisfy the most urgent of all the British demands, the demand for the old destroyers: throughout the critical months of May, June and the greater part of July the United States Administration felt that transfer could not take place without Congressional action, for which neither Congress nor American public opinion was yet ready. However, transfer became practical politics towards the end of July, when it was linked with the leasing to the United States of naval and air facilities in British possessions in the western hemisphere. The deal was completed on 2nd September.

American help had been given much more promptly to strengthen the land defences of Britain. More than half a million rifles, 85,000 machine guns, 25,000 automatic rifles, some hundreds of 'seventy-fives' and mortars, 21,000 revolvers, with supplies of ammunition for all these weapons, were released from surplus American stocks at the very time when the British wanted them most urgently. The British paid for this equipment and it was carried in British and Allied ships;<sup>1</sup>

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<sup>1</sup> It had been thought at first that the transfer of surplus military stores could not be made without special legislation of Congress, but on 6th June 1940 the U.S. Attorney General declared legal under existing law a complicated procedure whereby the Administration could turn over to American manufacturers old equipment in payment for new equipment to be produced: the manufacturers were thereafter free under international law and American laws (with the cash and carry proviso) to dispose of the equipment to belligerent governments.

but these consequences of the neutrality legislation did not remove the great moral effect of America's action. Soldiers of the Home Guard who cleaned from the rifles the grease in which they had been packed more than twenty years before did not ask how they had been paid for or how they had been transported to Britain. They were *American rifles*—not quite so familiar and handy as Lee-Enfields; but they shot straight.

Indeed, while some learned Americans were worrying about the significance of these transactions in terms of international law,<sup>1</sup> ordinary people on both sides of the Atlantic knew very well where they were tending. To quote an American phrase then current, they signified the rapidly emerging policy: 'All aid short of war.' Before the end of 1940 the new policy was expressing itself in a succession of activities hard to reconcile with old-fashioned neutrality—the flying of aircraft direct to Canada, the provision of training facilities in Florida for R.A.F. pilots, the repair of British warships in American ports. The same policy in 1941 would carry America even closer to the zones of combat: American merchant ships would enter the Red Sea, American warships and land forces would take over from Britain the defence of Iceland.

The American response to British requirements of a long-term character was governed by the same evolution of policy, which in retrospect is seen to be of decisive importance, though to the British people it seemed at the time hesitant and slow. The hesitancy was not all on one side. Then, as later, there existed real and inevitable discrepancies of opinion between 'user' and 'producer' interests, between the men—both British and American—who were thinking of the battles that would be fought in the next months or weeks, and those who were planning programmes of production for victory in years still distant. Between these two categories of opinion there was not, of course, any hard and fast line of division; Service chiefs planned for the years ahead and production experts struggled against the shortages and frustrations of this week and next. Nevertheless, the former did tend in the main to fight for immediate allocations of American material—in the summer of 1940 from old stocks, but from new production thereafter—whereas the latter were more likely to impress upon the Americans the need to raise their sights high and undertake the capital development necessary for large output later on. Yet even this cautious classification is over-simplified: for the production planners were themselves faced with difficult decisions between the present and the future, particularly between the claims of British war industry—which was already very much a going concern but dependent upon American materials and components and

<sup>1</sup> cf. *American Journal of International Law*, Vol. XXXIV, pp. 502-3, 587, 697: opinions by various American professors.

tools if it were to achieve maximum production—and American war industry, which needed the same instruments of production if it were to develop, almost from nothing, its great potentialities. Here were problems which could divide opinion on lines cutting right across the national loyalties. National loyalties and narrow domestic policies did, however, count. In the summer and autumn of 1940 an American Service department, arguing that the building of the national defences must come first, might find itself supported by defeatists who said there was no sense in sending machine tools to be bombed or captured in Britain, and by isolationists who believed that America should do nothing to offend Hitler.

Issues so crucial and so intricately tangled called for skilful and firm handling on the British side. At every point the British had much to lose: at every point their losses might be severe if they failed to strike a just balance between their competing claims, if they failed to argue their case as a whole. This had always been the doctrine of Purvis—and of Monnet, who in July 1940 went to America to take service under Purvis.<sup>1</sup> During the nine months between the fall of France and the advent of lend-lease, the doctrine embodied itself with reasonable success in organisation and policy. The immediate responsibility of Purvis was to the Ministry of Supply, the parent body of the British Purchasing Commission. As chairman of the B.P.C., he had by mid-summer asserted effective control over the whole range of Ministry of Supply activity in America. He then had to face tasks of re-staffing and re-organisation within the B.P.C.; for the tightening of government control over American war industry had out-moded British commercial procurement in the open market.<sup>2</sup> Technicians were now needed, rather than commercial men. The reshaping of the B.P.C. was not achieved quickly; Purvis had other things to do; perhaps he did other things better. With an insufficiency of explicit power, he had to establish co-ordination of policy and action among no less than nine British missions, representing almost as many Whitehall departments.<sup>3</sup> Most of the missions, it is true, were small and easily managed; but one of them—the British Air Commission—was powerful and extremely jealous of its independence. Up to December 1940, Purvis was able to achieve practical co-ordination by personal firmness and tact and the leverage of the confidence accorded to him by Secretary of the Treasury Morgenthau;<sup>4</sup> from December onwards he was given explicit status

<sup>1</sup> See above, p. 196.

<sup>2</sup> The U.S. National Defense Advisory Committee (N.D.A.C.) which had taken the place of the 'synchronisation committee' mentioned on p. 196 above, had power to veto all production contracts of more than \$150,000.

<sup>3</sup> According to a list drawn up in the War Cabinet Offices in September 1940.

<sup>4</sup> By devolution of power from the President, Mr. Morgenthau exercised the chief authority in the N.D.A.C.

and influence through his chairmanship of the British Supply Council in North America. This new Council did not supersede the arrangements whereby the individual missions in Washington fulfilled the instructions of their parent ministries in London; its purpose was rather to ensure that individual action took place within the agreed framework of British policy in Washington. It was a federalistic organisation representing all the missions and charged with authority 'in all issues of policy concerning supply including all representations made to the United States Administration'.

The organisation might change, but the basic issues remained the same. At every stage, a balance had to be struck between short-term and long-term needs. In the summer of 1940 a fair measure of prompt success had been won under the first head; but the issues under the second head were more tangled and longer in doubt. It was a cardinal feature of the Purvis-Monnet programme to get the Americans to raise their sights all round: a great flood of output was the only guarantee that all the parched channels would be irrigated. Unfortunately, the Americans in 1940 were still too easily impressed by an industrial expansion which was, no doubt, a promising beginning; but, even so, was absorbing not much more than ten per cent. of their national income.<sup>1</sup> The persistent deficiency of supply made the American Service departments reluctant to release to the British, munitions and productive resources that they wanted for their own expanding forces. The same deficiency made some British departments reluctant to pitch their claims too high: if they placed too many new contracts in America, would not the Americans withhold from them the machine tools necessary for maximising their own maturing programmes at home? Such misgivings, it is true, had not deterred Lord Beaverbrook from telling the Americans in July that he would—on top of existing contracts—take all the aircraft they could produce up to 3,000 a month; but even he had to swallow the consequences of his forthrightness: he found himself compelled to compromise on machine tools whose delivery had been already stipulated under the Anglo-French contracts. The other departments were not so ready as Lord Beaverbrook to 'talk big'. In the very middle of the naval crisis, the Admiralty's requirements upon American production were scaled up by little more than £13 millions on a pre-existing £10 millions. Not until the late autumn of 1940 did the Admiralty place the first Todd-Kaiser contract for sixty merchant ships—a contract that initiated the phenomenal expansion of the Kaiser ship-building enterprise. The Ministry of Supply had acted with similar deliberateness—if that is the right word. In the sphere of army supply, those obstacles to boldness that have already been

<sup>1</sup> According to a rough estimate reported by Sir W. Layton when he was on a special mission in the United States during September-December 1940.

enumerated were reinforced by a special difficulty. The American Service departments did not favour the locking up of industrial resources in the production of weapons of a type that their own forces would never use: the British departments were not quick nor wily enough to persuade the Americans to adopt British types. Perhaps they never had any real chance of doing so. The 'battle of the types' made some stir in the summer and autumn of 1940; but its result was in all probability a foregone conclusion: the chief consequence of fighting it was delay. Up to the end of October, the Ministry of Supply's demand upon America was a small affair of making good deficiencies in the existing British programme, with some additional insurance against losses of production through German bombing. Then there was a change. Towards the end of October, the Americans offered to fulfil the modest requirements that had been already stated for British-type equipment and on top of that to provide with all possible speed American-type equipment for ten British divisions. The Prime Minister cabled—'This is splendid. You should at once accept offer.'

It would be out of place in the present book to go further into these problems; enough has been said to show that Purvis and Monnet and their fellow-workers in London and Washington had great difficulty in persuading, not only the United States Administration, but also some of the British departments—from whom the most intense forward impulse was to be expected—to take the action that would initiate a really serious mobilisation of America's war potential. Nevertheless, there was by the end of 1940 a fair degree of progress to record. In the first place, Britain's demonstration of her determination and capacity to hold the front line had given sufficient answer to those Americans who argued that investment in British war-making capacity would give no return in terms of American security. In the second place, the ten-division scheme offered the model of arrangements which, even from a strict American Service point of view, would give very positive returns. The United States War Department, for example, was looking ahead; it was rearming, while the country still remained committed not to send armed forces overseas; it wanted to build up productive capacity in case this policy should be changed; it wanted to produce equipment in advance of recruitment. To produce American-type equipment which the British would pay for now was an excellent method of expanding capacity to equip an enlarged American Army in the more distant future. While British soldiers, sailors and airmen were sheltering the still-surviving American peace, British orders were building the strength that America's fighting services might someday be compelled to exert. But supposing the British ran short of the dollars to pay for the orders? What then?



By the end of 1940, the British had committed nearly all their available dollars. By reason of their own circumspection or the delays and obstacles that had beset them in America, the curve of their demands had been slow in rising; but by now it had reached a respectable height. The Kaiser ship-building enterprise had been launched by Admiralty orders; Lord Beaverbrook's expansive visions were embodying themselves in specific aircraft contracts; the War Office had superimposed Programme B (the ten-division scheme) upon Programme A (the deficiency and insurance scheme). All this, to be sure, seemed far too little to planners of the Purvis-Monnet school. At this very time Purvis was going into action with a well-tried weapon from Monnet's armoury. With the intention of shocking the Americans into a new estimate of the efforts demanded of them, he produced a 'balance sheet'. It was in three columns; first, the estimate of British requirements; secondly, the estimate of British production; thirdly, the deficiency. It was only American production that could make good the deficiency.<sup>1</sup>

There was not the slightest hope that Britain could raise the dollars to finance that production. By the end of 1940, British commitments in the United States for initial orders and capital development without counting Programme B amounted to nearly \$10,000 millions. This figure represented only a fraction of America's war potential, but it was much larger than the debt that Britain had incurred in 1914-18, and far in excess of total British assets in the United States. The United States Treasury was informed about this. The warnings of impending dollar exhaustion that the Prime Minister had given the President as far back as mid-May were justified by precise figures produced during July by a senior Treasury official who had gone to America on Mr. Morgenthau's invitation. Thereby the Americans were confronted with a dilemma: either to withdraw support from Britain and consequently to impose upon themselves immediate and immense strategical dangers and war expenditures far greater than any they had yet contemplated: or else to continue and expand their aid to Britain irrespective of 'the dollar sign'. The United States Government never doubted what its ultimate decision would be; but it was intensely anxious to postpone the day of decision. The representative of the British Treasury telegraphed to London, 'Nothing before the election'. Until then, the United States Treasury encouraged the British to press ahead with war contracts they could never fully pay for, while all the time it put

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<sup>1</sup> On the origins of the balance sheet technique see p. 193 above; on its later development see p. 384 below. It was believed contemporaneously in British official circles that the Purvis balance sheet powerfully influenced the first appropriation under the Lend-Lease Act. True the appropriation was for \$7 billion as against the \$15 billion deficiency shown by the balance sheet; but it was thought, then and later, that had it not been for the balance sheet the appropriation would have been much less.

persistent pressure upon them to 'scrape the bottom of the barrel' so that they might meet the interim payments as they fell due. Some Americans tried to persuade themselves that there was more in the barrel than the British pretended; as late as 28th November 1940, Lord Lothian reported them to be 'saturated with illusions that we have vast resources available that we have not yet disclosed and that we ought to empty this vast hypothetical barrel before we ask for assistance'. The United States Administration was fertile of suggestions to the British for stripping themselves bare. They might raise some more cash by disposing of their 'direct investments' in America—the British-controlled enterprises, such as Viscose Corporation, for which there was no established market. They might sell their South American securities and their interests in Malayan tin and rubber. They might cash in at once on the stocks of whisky intended for export to America during the next ten years. They might cash in at once on their stocks of Australian and South African wool. They might dispose of the Empire's gold stocks in anticipation of future mining production.

Some of these things the British did. They sold British ownership of the Viscose Corporation—not perhaps at a 'rubbish price', as was often said at the time, but certainly at a heavy sacrifice. This was partly because the time at which sale took place was unfavourable, but still more because the real value of Viscose fell as soon as it was separated from the parent British firm, Courtauld's Ltd. Would they not incur even greater losses by selling at knock-down prices their South American or Malayan investments? Mr. J. M. Keynes, in a pointed memorandum, discussed the economic issues. The Malayan investments, he said, represented living personal enterprises, not an automatic flow of dividends: if the Americans took over the dividends they would have to take over the enterprises, together with responsibility for the territories in which the enterprises were situated: otherwise the flow of production would dry up. And what about gold? Actually, the British were doing everything in their power to mobilise all available gold: on 5th January 1941 the United States cruiser *Louisville* put in at Simonstown and took off gold to the value of \$149,633,653: on the very eve of the Lend-Lease Act, the Belgians came to the rescue of their ally by giving them an option on \$300 millions worth of gold in Belgian possession. It was only by expedients of this kind, and by slowing down their contracts, that the British squeezed through the winter months without defaulting on payments that fell due. But were such improvisations sound in economics? Mr. J. M. Keynes argued that it was nobody's interest, most certainly not America's, that Britain should completely denude herself of gold. If the convention by which gold was used as a means of settling international balances came to an end, America's own stocks

would become valueless. 'The convention depends', Keynes wrote, 'on not all the gold being in one hand. When in the game of "beggar my neighbour" all the cards belong to one player, that is the signal for the game to come to an end. The pack becomes worthless pasteboard: the fun is over.'

The economists who were attached to the United States Treasury no doubt saw these truths as clearly as Keynes did; but the Treasury according to British reports, insisted upon 'the psychological importance of the question' and argued that Britain must manifestly strip herself bare in order to strengthen the President's hand when he came before Congress with new proposals of financial aid. Mr. Churchill concluded that the time had come for him to approach the President again with a statement ranging wider than political economics. He reminded the President that the British Commonwealth, in defending itself, was buying time for the United States to prepare their own defences: the future of both democracies depended on successful British resistance during the coming year. The decision in the coming year would lie on the seas; Britain, having survived direct enemy assault in 1940, might be overwhelmed in 1941 by the less spectacular but no less deadly attack upon her shipping. Should she fall under this attack, the United States might not find time to complete their own preparations. The Prime Minister reiterated the urgent need for American help at sea—strategic help, through the transfer of American warships or the reassertion of the American policy of freedom of the seas, and industrial help, in the form of a ship-building drive comparable with the Hog Island programme of the last war. Industrial help was hardly less indispensable in the sphere of air and army production. This brought Mr. Churchill to the question of finance.

The moment approaches [he said] when we shall no longer be able to pay cash for shipping and other supplies. While we will do our utmost, and shrink from no proper sacrifice to make payments across the Exchange, I believe you will agree that it would be wrong in principle and mutually disadvantageous in effect, if at the height of this struggle, Great Britain were to be divested of all saleable assets, so that after the victory was won with our blood, civilisation saved, and the time gained for the United States to be fully armed against all eventualities, we should stand stripped to the bone. Such a course would not be in the moral or the economic interests of either of our countries.

Finally, the Prime Minister affirmed Britain's readiness to suffer for the common cause, and her pride in being its champion. He asked the President to look upon his letter, 'not as an appeal for aid, but as a statement of the minimum action necessary to achieve our common purpose'. He declared himself convinced that America would find

ways and means of action which future generations on both sides of the Atlantic would approve and admire.

Indeed, the time for action had come. On 5th November Mr. Roosevelt had been re-elected President of the United States for a third term. On 23rd November Lord Lothian, without specific authorisation from the Chancellor of the Exchequer, told the American public the truth about the impending exhaustion of the British store of dollars. Lord Lothian died suddenly on 12th December. On 17th December President Roosevelt made the great speech that put the idea of lend-lease into American minds. On 10th January the bill embodying the new idea came before Congress. Its number—H.R. 1776—recalled the year of American independence; its title proclaimed it to be an ‘Act to promote the defense of the United States’. It became the law of the United States on 11th March 1941.

Meanwhile, the Canadian Government maintained and where necessary expanded the policy which from the beginning of the war until the end enabled the United Kingdom to procure from Canada the munitions, materials and food it needed, without at any time suffering embarrassment from shortage of Canadian dollars.<sup>1</sup>

## ( ii )

### First Fruits of Lend-Lease

It is the historian’s task to study reality within a framework of time. The framework of the present study is March-December 1941. What reinforcement of their war-making power did the British derive from lend-lease during these nine months? The passing of the Act did not transform Britain into an island well furnished for war; America aspired to be the arsenal of democracy, but the aspiration was still far from achievement.

The services rendered under lend-lease are measurable, first of all, in dollars. Fortunately for the historian, the Act did not altogether ‘remove the dollar sign’. Although the recipients of aid stated their requirements in quantities and categories of ‘defence articles’, the givers of it kept strict account—as by their own constitutional practice they were bound to do<sup>2</sup>—in money. The appropriations of

<sup>1</sup> For a short summary of Canadian financial aid to the United Kingdom throughout the war see p. 375 below.

<sup>2</sup> Congress could not appropriate vehicles or steel or spam by quantity and volume: it could only appropriate dollars to cover the cost of these things. British requirements were thus given a dollar expression for U.S. budgetary purposes: thereafter, the Records and Statistics Division of the British Supply Council obtained the figures from the U.S. Administration.

money authorised by Congress for all lend-lease purposes before Pearl Harbour amounted approximately to \$14,000 million;<sup>1</sup> but the defence aid rendered to Britain and the British Empire during the same period was only about one-fifteenth of this total. For this gap between the money appropriated and the aid rendered there was more than one cause. To begin with, the British, although the chief beneficiaries of the new American policy, were not the only beneficiaries: China, Soviet Russia,<sup>2</sup> and the smaller Allies received their shares. More important still were the peculiarities—at that time not generally appreciated in Britain—of United States financial procedure. Whereas a ‘vote’ of money by the British Parliament represents the estimated expenditure upon a specific object within a single financial year, an ‘appropriation’ by Congress is not nearly so confined: quite frequently, it represents the whole estimated cost of a task that may take two or three years to complete. The appropriations of Congress for lend-lease purposes were no more than the first link in a long chain of action—statement of requirements by an American procurement authority, allocation of funds, issue of contracts, expenditure under the contracts, progress of work, delivery of the goods, their eventual transfer to the recipient of defence aid. There need be no surprise that the flow of lend-lease aid, which in later years became so mighty a flood, was during the first nine months a comparatively modest trickle. The actual dollar value of the aid rendered to the whole British Empire during those first nine months has been reckoned at \$1,082 million—a bare thirtieth of the total achieved between March 1941 and August 1945.<sup>3</sup>

Up to Pearl Harbour, the British were still paying dollars for the greater part of the supplies they were getting from America. A striking chart was printed in the President’s third lend-lease report to Congress; it should not perhaps be scrutinised too narrowly, but it drives the main lesson home.

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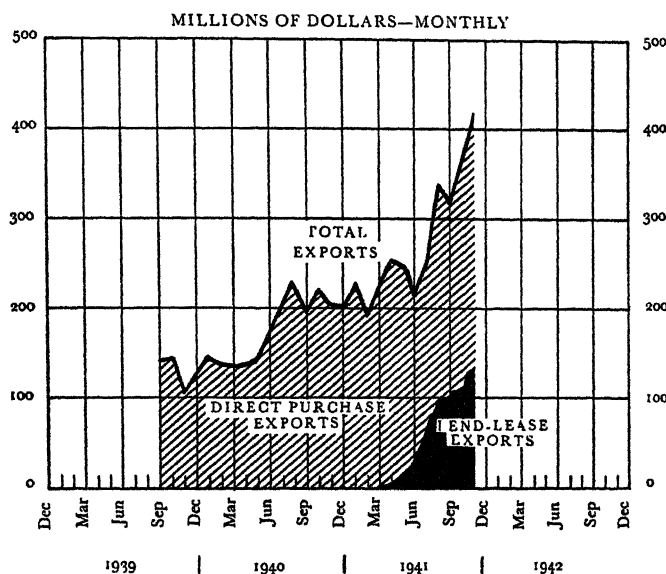
<sup>1</sup> The record of appropriations was as follows:

First Lend-Lease Appropriation Act (March 1941)	. \$7,000,000,000
Second “ “ “ “ (October 1941)	. \$5,985,000,000
First Supplemental—Maritime Commission (August 1941)	\$1,296,650,000
TOTAL	. <u>\$14,281,650,000</u>

The original Act set a limit of \$1,300 million to transfers from past appropriations. This was not much used and in the Third Supplemental early in 1942 the transfer limit was reduced to \$800 million.

<sup>2</sup> After October 1941.

<sup>3</sup> See column one of Table 3 (b) in the statistical summary at the beginning of this Part. The table has been compiled by Prof. R. G. D. Allen. It does not attempt to separate the aid to Dominions and Colonies from that to the United Kingdom: Prof. Allen calculates that for the whole period of the war the three southern Dominions received approximately seven per cent of the total. The comparatively small sums on account of the European Allies are also included in the British figure. See ‘Mutual Aid Between the United States and the British Empire, 1941–45’, in *Journal of the Royal Statistical Society*, Vol. CIX. Part III 1946.

EXPORTS TO BRITISH EMPIRE  
AND EGYPT

The chart, it will be observed, shows the value of exports to all British Empire countries and Egypt, not merely to the United Kingdom. It shows how lend-lease, after a slow start, began to gather pace during the months following the German attack on Russia. The acceleration climbed steeply after Pearl Harbour; if the lines of the chart were projected through 1942 and the following years, they would show a rapid increase of the black area and a decrease of the shaded area until at last black would dominate the whole picture. But we must at present confine ourselves within our immediate framework of time—that period when the British Empire fought the Axis powers while the American Republic was still neutral.

The chart helps to explain a phenomenon that American public opinion, as reported by the British ambassador, found 'paradoxical and exasperating'—Britain's continuing embarrassment about her dollar position, even after Congress had approved lend-lease. In March and April the British still found themselves compelled to sell gold in New York, including some emergency shipments from South Africa. They owed the Belgians \$300 millions worth. Their short-term liabilities to the Canadians (who never once had refused or even questioned British requests for financial support) were piled up to a high level. The payments they had to meet under the American contracts of 1940 were rapidly mounting. They also found it hard to keep free of new American commitments; for the lend-lease

machinery was at the beginning ponderous and slow<sup>1</sup> while many British requirements were urgent: there was a 'hard core' of supplies that had still to be paid for if they were to be secured at all. Meanwhile, the British had to pay in hard currency for essential supplies derived from other countries. For all these reasons, they needed 'some money of their own in their pockets'. Thinking that the best way of getting it would be to persuade the Americans to take over financial liability for the existing contracts, they sent Mr. J. M. Keynes to Washington to negotiate the transaction. Unfortunately, the United States Administration had engaged itself to the Appropriations Committee of the House of Representatives not to help the British in this way. So the Administration looked round for another way. While the British whittled the 'hard core' of their dollar purchases, the Americans rapidly expanded lend-lease. They stretched it to cover, not merely the so-called 'non-military' commodities produced in the United States, but certain commodities produced beyond United States boundaries—for example, Cuban sugar. They took over some Swedish ships and handed them to Britain on lend-lease terms. Most important of all, they extended lend-lease aid to the Dominions and Colonies. These expansions of lend-lease 'eligibility' occurred for the most part between March and July 1941. They very greatly relieved Britain's difficulties of external payment. Later in the war, after the British store of dollars had been increased (chiefly through the money spent, outside the range of reciprocal aid, by American soldiers and airmen in Britain and the Empire) 'eligibility' was again narrowed.

However, it is time to return to the object of immediate inquiry. It has been shown that lend-lease aid during the period under review was marginal, even within the restricted sphere of American procurement; but marginal influences, it is worth remembering, can be economically decisive. Some attempt must be made to break up the billion dollar figure and translate it into physical substances. A detailed translation is, of course, quite out of the question: it would have to reckon, item by item, with the different levels of British and American costs<sup>2</sup> and probably would become too deeply bogged in accountancy. For the present purposes it will be much more sensible to

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<sup>1</sup> At the beginning, Mr. Harry Hopkins had been made responsible under the President for administering lend-lease; then, in May 1941, a Division of Defense Aid Reports, administered by Major-General Burns, was set up under the general oversight of Mr. Hopkins; in October 1941, the Office of Lend-Lease Administration (OLLA) was established under the charge of Mr. E. Stettinius. It would be out of place here to discuss the relations between OLLA and the departments that carried the responsibility for procurement.

<sup>2</sup> All lend-lease values were, of course, reckoned in American costs: by British reckonings of their own costs, a tank or aircraft manufactured in the United States was at this time more than twice as dear as the corresponding United Kingdom article. For food and many raw materials the ratio would be very different, and sometimes no comparison at all would be possible.

look broadly at the main categories of lend-lease aid and to say something in quite general terms about their proportionate importance.

To begin with aircraft: over the whole period of lend-lease (March 1941 to August 1945) they amounted to twenty-one per cent. of the \$28,000 million or so that was the total aid to the British Empire after excluding petroleum; but in 1941 they amounted to no more than two per cent. of the \$1,000 million total. Or consider vehicles: over the whole period their proportionate importance was 13.5 per cent.; but in 1941 it was only 6.7 per cent., of which only a small fraction represented armoured fighting vehicles. The reasons for these contrasts are two-fold: in the first place, American industry was not yet tooled up for war production (it was for example not yet producing tanks in quantity) and in the second place its limited output was still largely the product of British cash orders. Mr. Stettinius has given some interesting examples in his book, *Lend-Lease, Weapon for Victory*. He estimates that 2,400 aircraft were exported to Britain and to British forces in Egypt from March to December 1941; but of this total less than 100 went under lend-lease; 'the rest were planes the British bought for cash'. He estimates the totals of trucks and tanks exported as 13,000 and 951 respectively: of the latter, 165, and of the former, approximately 8,000 were paid for by the British. In 1941 the Americans had few finished munitions to spare for Britain and most of those the British did receive came from their own cash contracts. Lend-lease funds appropriated for munitions in 1941 were used in considerable part to place 'follow up' orders on British cash contracts which then occupied so much of the available United States munitions capacity. Lend-lease would help their forces to win the battles of future years; the help it gave in the battles of 1941 was trivial.

Of industrial materials there is a different story to tell. The advent of lend-lease safeguarded the policy the British had adopted after Dunkirk, of switching and re-arranging their import requirements without any thought of the expenditure of dollars. They had lost the Narvik iron-ore: what they most needed to take its place was not American ore but American finished steel, which would save them shipping space and labour and thereby maximise their own productive efforts. America was able to supply the steel. She was able to supply many other materials. From time to time, it was true, there were some British requirements—for aluminium, brass strip, drop forgings, chlorine and some other chemicals—that could not be satisfied immediately or in full; but generally speaking the Americans were able to meet both their own expanding requirements and the British ones, and in addition, to build up some stocks which proved very useful later on. Most important of all was the freedom gained by British industry to plan ahead and drive hard for immediate output without being held up by present raw material shortages or the fear of future ones.



Lend-lease deliveries of food during this period were the largest single category; they were valued at \$290 millions and represented nearly a third of the total of lend-lease aid. In volume, they amounted to approximately one million tons—about one-fifteenth of the total arrivals of food in Britain for 1941. Their qualitative value was very high. In the first quarter of 1941, British food consumption had fallen to a low level. Not much harm was done at the time because the level had been high during 1940; but, with many years of war still ahead, a great deal of harm would have been done had not American help redressed the balance. An advisory committee of nutritional experts was at this very time drawing up plans for a 'basal diet' which was supposedly adequate for a besieged country; when lend-lease came, the scientific adviser of the Ministry of Food was able to make recommendations for something less dispiriting. In April, a small but extremely efficient Food Mission went to America to translate these recommendations into a programme concerted with the United States Department of Agriculture. One of the reasons why food was delivered so quickly under lend-lease was that the United States Department of Agriculture planned and actually bought for the United Kingdom before the lend-lease appropriation was passed. The American foodstuffs delivered in the following months were of high nutritional priority—26,000 tons of canned fish, nearly 150,000 tons of evaporated milk, nearly 100,000 tons of lard, 80,000 tons each of dried beans and bacon, 50,000 tons of canned meat, 40,000 tons of cheese. Meanwhile, American farmers were bending their backs to the task of growing maize for conversion into bacon and canned pork, and to the other tasks which the needs of Britain—competing, now, with the needs of Russia—would challenge them to fulfil during 1942.

At this point it will be desirable to consider in a more general way the effects produced by lend-lease in the import zone of British war economy. During the first nine months of war the British, so far as they were able, had kept their ships away from United States harbours in order to eke out their dollars. After Dunkirk they had reversed this policy in the faith that the United States would find some way of helping them when their dollars were all spent. Lend-lease justified their faith. It freed them—apart from those transitional difficulties that have been already discussed—from their chief anxieties about 'cash' and enabled them to concentrate their main energies upon the formidable problems of 'carry'.

Once the near-by European supplies had been lost, the advantages of turning to North America as the chief supplier became indisputable: not only was the North Atlantic route shorter than any of its New World alternatives, but it was the route where the main sea battles would have to be fought. By using it to the maximum, the

British might hope to get fullest value both from their merchant shipping and their naval escorts. All this is so obvious that an immense switch-over of British shipping to the North Atlantic has usually been taken for granted. What actually happened was not nearly so sensational. During the first nine months of the war, the United Kingdom had drawn thirty-six per cent. of its imports from North America. After Dunkirk, the figure increased steeply: in the last four months of 1940 it was fifty-one per cent. Lend-lease did not make much immediate difference; for the whole of 1941 the figure was fifty-four per cent. Why was it no higher? Partly because of the way in which available supplies were distributed around the world: there were limits, both in time and degree, to the refashioning of the division of labour that could be achieved among the world's producers, no matter how urgent the need might be to concentrate British shipping. Moreover, the need to concentrate shipping was itself qualified by the other inescapable tasks imposed upon the British merchant navy. It had to bring supplies to the forces fighting in the Middle East. It had to transport enough civilian goods to ensure a minimum of tranquillity among the civilian populations of that area. It had to sustain the war effort of the Dominions and Colonies. A British ship might therefore sail from Liverpool to Suez with munitions of war, from Suez to India in ballast, from India to the West Indies with rice to feed the plantation workers and with bags for the packing of their sugar, and then home to Liverpool with a full cargo of sugar. Another British ship might make the same voyage as far as Suez and India but from there proceed to the Plate with corn sacks or to Australia with wool packs, and then home again with grain or wool or general cargo. These seemingly unhurried round-the-world voyages were essential war work, though to some American ship-owners they seemed an unworthy dallying in safe waters.

Between the fall of France and Pearl Harbour sinkings of British ships amounted to a third or more of the total tonnage available to Britain in the summer of 1940.<sup>1</sup> This was worse than 1917, when German submarines had come close to winning the war. There is no need to demonstrate further the British need for American shipping help. Exact calculation of the help rendered is not, however, a simple matter; even a rough calculation cannot be attempted except in the context of the shipping situation as a whole. This is the subject of the following chapter.

Here it will be sufficient to emphasise one central truth. What really counted in 1941 was the assurance of a great output of American ships in the future. Without this assurance, Britain's determination to go on fighting would have been no more than a defiant gesture.

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<sup>1</sup> See below, p. 250.

Because of that assurance, Britain was able to bear the immediate burden, chiefly by her own courage and strength. For, with the best will in the world, the Americans were unable to give much immediate aid. Their own demands upon ocean-going shipping, which in peacetime were met in large measure by foreign carriers, were rapidly increasing as they pressed ahead with their war-preparedness programme. Their own shipbuilding industry, despite the establishment of the Maritime Commission in 1936, had not as yet recovered from the derelict condition into which it had fallen after the First World War; in 1939 American yards produced only twenty-eight ocean-going ships, in 1940 they produced only fifty-three.<sup>1</sup> In December 1940 the British Admiralty, by letting the Todd-Kaiser contracts, had initiated an expansion of great significance for the future; but to the immediate struggle this expansion contributed little or nothing. It was not until September 1941 that the first Liberty ship was launched. Between lend-lease and Pearl Harbour the Americans gave what help they could; the next chapter will so far as possible define its proportionate value. But by far the most valuable outcome of Sir Arthur Salter's negotiations in Washington<sup>2</sup> was the assurance of an immense flow of tonnage later on.

In shipping, as in all the other matters that have been discussed, a comparatively small instalment of immediate aid, with the promise of very substantial aid to follow, enabled the British Government and people to mobilise and concentrate, much more confidently and ruthlessly than would otherwise have been possible, their own war-making power. It is in this sense that lend-lease, during the first nine months of its operation, had a decisive influence upon the British war economy. It rendered possible that peculiar blend of providence and audacity which is the stamp of an effective war effort in the economic sphere.

British providence during this period is most strikingly revealed in the figures of imports and stocks. In the nine months from October 1939 to June 1940 imports had arrived at an annual rate of 45·4 million tons, a rate that was about eighty-two per cent. of the peacetime average; yet the British had heavily depleted their stocks. Imports in 1941 were most drastically cut down; their total was no more than 30·5 million tons; but the British built up their stocks of food and imported raw materials by nearly 1½ million tons.<sup>3</sup> These figures are proof of provident housekeeping.

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<sup>1</sup> Of 342,032 and 641,056 d.w.t. respectively.

<sup>2</sup> Sir A. Salter went to Washington in April 1941 as head of the British Merchant Shipping Mission.

<sup>3</sup> See Table 3(f) on p. 207. Figures for food stocks are for stocks other than on farms and figures for raw materials are for those covered by the import programme. In addition to this increase, consumers' stocks of steel rose in 1941.

As for the audacity, its full demonstration will appear in the later chapters which discuss the mobilisation of manpower and the constriction of civilian industry and standards in order to free resources for the armed forces and war industry. Meanwhile, it may be illustrated by reference to British exports—a topic which is intermingled with the evolving doctrine of lend-lease and is strictly relevant to the present chapter. A prudent economist might have argued that it was not mere audacity but downright recklessness for the British, a people dependent for their bare living on abnormally large imports, to sacrifice in their ardour for victory the means whereby imports must be purchased—to let go the markets for their visible exports, while all the time their invisible exports were being consumed by realisation of their overseas capital holdings and the war losses of their mercantile marine. But what British economist in 1940 or 1941 could have been prudent in this manner—could have preoccupied himself with the future living standards of his country instead of the immediate effort demanded of it if it were to save its own independence and the world's freedom? So long as cash had to be earned for the purchase of American supplies, Britain had laboured by her 'export drive' to earn it; but so soon as the prospect of American financial aid appeared on the horizon, she sacrificed her exports in order to maximise her armed forces and their equipment. In the third quarter of 1940, the volume of British exports (including munitions) was thirty-seven points down on the base index number of 1935; by the time of lend-lease, it was approximately fifty points down.

Britain, nevertheless, had still to maintain some exports, even if the flow was greatly reduced. In America itself the direct contracts had still to be paid for. Producers in other parts of the world needed to be given some immediate incentive to support the British war economy. Those claims upon the future that were embodied in the sterling balances were not by themselves an all-sufficing stimulus to West African producers of vegetable oils or to South American producers of meat; these people had urgent present demands that had to be met. The efforts of British exporters to meet them raised, in the new context of lend-lease, some very awkward problems. It was not always easy for the British Government to ensure that materials delivered under lend-lease were not embodied in British export production; or, even if physical segregation were possible, it was difficult to prevent indirect benefit arising to British exporters through the increased availability of materials similar to those delivered under lend-lease. But American exporters found it hard to see why they should be deprived of materials, some of which were becoming scarce, for the advantage of British competitors in overseas markets.

The British Government was anxious to do everything in its power to allay American complaints. It had to pay regard not only to the

immediate issues but to their effect upon American feeling about the war. The reports from Washington suggested that there had been a considerable abatement of the short-lived British popularity that Lord Lothian had reported in the previous autumn. The Battle of Britain was now more than half a year past; 'London can take it' was stale news, the Germans were winning their spring victories in North Africa, Greece and Crete. The British had been given tools; but they did not seem to be finishing the job. And while their soldiers were losing battles, their people at home were said to be grumbling about lend-lease food; they did not like pinto beans, they would not eat fat bacon. But they seemed quite willing to use America's freely given steel<sup>1</sup> to justify, at American expense, the slogan they had painted over the whole South American continent—'Britain delivers the goods'.

It may well be that British officials in Washington laid too much emphasis upon what was perhaps a minor note of American public controversy at that time. Be this as it may, the reports that came from Washington gave additional stimulus to the desire of the British Government, and the United States Government also, to remove British export policy from the arena of clamorous argument. With this purpose in view, official conversations were opened in Washington and subsequently continued in London. What the Americans demanded was not simply the exclusion of lend-lease materials from British export production: complete exclusion would demand a segregation of materials which might sometimes be physically impossible. The main American objections could be more simply met by 'the principle of substitution', under which domestic consumption of any material was to be at least equal to the amount received under lend-lease. On top of this, the Americans demanded that there should be restriction in the supply to British exporters of all materials obtained from the United States which were subject to export restriction or priority rating in the United States, whether or not these materials were included in lend-lease deliveries. They also called for action by the British Government to restrict the export of manufactured goods containing materials *similar* to those obtained under lend-lease. To all these demands the British Government thought it prudent to give satisfaction; its full compliance found expression in a

<sup>1</sup> The following table, taken from the U.K. Trade and Navigation Accounts for 1941, demonstrates the fall in South American markets of British exports of (a) machinery and (b) iron and steel goods and manufactures thereof:

1941	Argentina		Brazil		Chile	
	(a)	(b)	(a)	(b)	(a)	(b)
1st Quarter	£304,000	£521,000	£186,000	£40,000	£113,000	£21,000
2nd Quarter	£274,000	£645,000	£103,000	£43,000	£21,000	£9,000
3rd Quarter	£293,000	£482,000	£233,000	£35,000	£28,000	£2,000
4th Quarter	£249,000	£316,000	£99,000	£3,000	£14,000	£1,000

memorandum transmitted by the Foreign Secretary to the American Ambassador on 10th September 1941 and printed as a white paper.<sup>1</sup> It affirmed:

1. that lend-lease supplies had not been used in export production, and would not be so used, except when complete physical segregation was impossible: the principle of substitution would then apply.
2. that in the future, as in the past, the principle of substitution would apply to *similar* materials, as well as to lend-lease materials.
3. that, as regards materials which were scarce in the United States, restrictions of increased stringency and very precise definition<sup>2</sup> would be enforced upon British exporters.

These undertakings were broadly in line with the autonomous purpose of British policy, according to which exports must fall to the bare minimum required by the war effort. Moreover, the undertakings were given as a unilateral declaration of British policy. But, since their main purpose was to appease criticism in the United States, the British felt bound to give information to OLLA (Office of Lend-Lease Administration) about the progress of the policy. OLLA was not easily satisfied; before long it set up an organisation of its own 'for policing observance of the terms of the White Paper'. Here was a clear sign that the nation which received lend-lease was finding it difficult to maintain its independent and equal status *vis-à-vis* the nation which gave it.<sup>3</sup> The difficulty did not disappear when the United States became a partner with the United Kingdom in war.

Exports had been a dominant consideration of British economic policy in the first period of the war, and they were destined to become so once more as the end of the war came in sight. It was American lend-lease that made it possible for the British export problem to go underground in the long middle stretch of the war. And when the problem emerged again as one of impending urgency, it was entangled in some novel complications which lend-lease had created. It was not merely that the volume of exports could never have fallen so low but for the fact of lend-lease; the task of retrieving the volume

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<sup>1</sup> Cmd. 6311 of 1941.

<sup>2</sup> The British bound themselves not to use these materials for exports except in the following strictly defined cases: supplies essential to the overseas war effort and not obtainable in the United States; small quantities of minor but essential components which otherwise were composed of materials not in short supply in the United States; repair parts for machinery of British manufacture currently in use, or material for the completion of installations still under construction.

<sup>3</sup> The much greater latitude given by the United States to Soviet Russia (not merely or chiefly in export policy, which for Russia was far less important, but over the whole range of lend-lease policy) is a subject that some American historian might find it profitable to investigate.

and surpassing it was complicated by the doctrine of lend-lease. At the root of that doctrine were some contradictions or obscurities which had never been completely cleared up. The prime purpose of lend-lease, as proclaimed in the title of the Act and subsequently reiterated in many pronouncements of the Administration, was to 'Promote the Defense of the United States'. This purpose was strategical: in 1941 it meant keeping the war away from American shores. The United States were unconsciously adopting the role that Britain had in earlier struggles so often assumed; they were, in effect, using the instrument of subsidy to defend their national security and interests. According to this strategical logic, they were getting quite as much as they were giving and had no ground for advancing property claims against Britain: the British were fighting for American security; the Americans were providing them with means to do so; the benefit conferred on each side was reciprocal. But, side by side with this strategical logic, was logic of a different kind. Section 3(b) of the Act made provision for a quite different 'benefit' to accrue to the United States. It stipulated 'payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory'. The theory underlying these words was no longer strategical, but possessory. The Act did not remove the property sign. A figure of speech much quoted in the United States at this time compared lend-lease to the loan of a fire hose to a neighbour whose house was dangerously ablaze; when the neighbour had extinguished the blaze, he would, of course, have to return the borrowed hose or offer some fair equivalent.

In the summer of 1941 the first British-American negotiations were begun for the purpose of further defining the 'benefit' or 'consideration' to accrue to the United States in return for lend-lease aid. Out of these discussions, in which Mr. J. M. Keynes was the protagonist on the British side, there emerged at length (February 1942) the 'Master Agreement . . . on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression.'<sup>1</sup> This Agreement, which became the model of many others signed between the United States and its Allies, most signally merited the adjective 'unsordid'; so too did the financial terms of the settlement made in its spirit after victory had been achieved.<sup>2</sup> Nevertheless, one of its articles—and that the one on which liberal economists, both British and American, set most store—became the cause, both then and later, of much controversy and misgiving in Britain and the British Commonwealth. This was the famous Article VII, which, after providing that the final determination of the benefits due to the

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<sup>1</sup> Cmd. 6341.

<sup>2</sup> See Chapter XIX, section (iii) below.

United States on account of lend-lease aid would not be of such a nature as to impede world trade, went on to pledge both Governments to work for the 'elimination' of discriminatory practices and the 'reduction' of tariffs.

The discriminatory practices which the American negotiators had most prominently in mind were the trade preferences of the British Commonwealth. To many people in the United States these preferences seemed economically, if not morally, wrong; but many people throughout the Commonwealth regarded them as a family arrangement that was neither unvirtuous nor damaging to the world's prosperity: indeed, the very reverse. Among professional economists in Britain opinion was divided; some thought that speedy progress could be made after victory towards a world of impartial trade policies, but others believed that the attempt to move quickly in this direction would damage world trade and would in particular gravely endanger Britain's efforts to rebuild her shattered balance of payments.

This more remote aspect of the history of lend-lease could not in the present chapter be passed by, for it was prominent in the despatches, memoranda and minutes of 1941 and the early months of 1942. But for the historian of British war economy it must remain a minor theme, recognised but not pursued. After all, the British in 1941 were not devoting much of their time to blue-printing the world's commercial future or safeguarding their own. They were absorbed in the immediate struggle. Lend-lease made it possible for them to put more power into the struggle. That was its chief significance.