

ND
BANK OF ENGLAND

1939 - 1945

VOL. I

WAR HISTORY OF THE BANK OF ENGLAND:
1939/45

In 1943, on his return from North America, where he had been seconded from the Bank's service to assist H.M.Treasury, J.A.C.Osborne, an Adviser to the Governors, was given the task of compiling a history of the Bank during the Second World War. Osborne retired in 1945, and in 1947 R.E.H.Allport, who had recently retired, was retained temporarily to carry on with Osborne's history. Allport finally retired in 1950 leaving the history in its present draft form.

It was decided not to proceed with a final drafting, and the work was bound in its present state, to preserve it for the use of future historians and others who might be interested in its contents.

M. C. Dawson
Secretary.

Bank of England,
18th September 1956.

INTRODUCTORY

The following pages are intended to record all matters of importance affecting the Bank during the Second World War, arising from the Bank's own actions or influenced by their views, or which sometimes came about rather in opposition to them. The record is long - about 5/600,000 words - and it would be to little purpose to begin reading the whole or part with only indefinite ideas of the ground to be covered; something should first be said about purpose, scope and design.

The History's purpose is two-fold: to provide -

- (a) a record of what it was found necessary to do as the inevitability of war became accepted, and later as its actuality was experienced;
- (b) a guide to future action if and when the same or similar problems presented themselves in the tragic circumstances of another war.

A good deal of the History's usefulness as a guide would, of course, depend on when such a calamity happened. If it should come in the near future, while exchange control is functioning much as at present, the whole machinery would be there, only to be changed as circumstances required. If the event should be more remote, but while exchange control was still working, its traditional operation would doubtless have been handed down folklore-wise by those at present in charge to their successors. If remoter still, its incidence would perhaps still call for a repetition, with suitable modifications, of the Regulations, Orders, and other "arrangements" in force during the late war or at the present time: the History, or parts of it, might then prove useful as a guide to necessary action in an exchange control reimposed: and possibly for other purposes also, experience of evacuation, for example.

The

The scope is inevitably wide. It embraces practically all measures taken in connection with the country's internal finances: the marshalling and protection of external assets - Exchange Control; the recruitment (or release for more direct war service) of staff, and provision for their safety and welfare; the leasing of premises and other problems of evacuation, and the carrying out of the Bank's work in locations removed from the City.

The close touch between the Bank and H.M. Government is taken for granted, as also is the Bank's guidance of and liaison with banks and other houses concerned with all problems of the nation's finances. No doubt the most important aspect of all, and the one in which all were in one way or another concerned, is Exchange Control.

It is difficult in some respects to separate all these things rigidly; but a large measure of separation is possible, and, with this objective, chapters and appendices are arranged in four main parts, intended to be mutually exclusive -

- I. Internal Finance.
- II. Exchange Control.
- III. Relations with certain overseas countries.
- IV. Domestic matters.

Part I is concerned with all means (except taxation or outright gift) of raising money for the purpose of financing the country's expenditure during the war, and with necessary discussions to that end with the Treasury, other Government Departments and the banks; also with the control of the issue of currency.

Part II, after discussing preliminaries and the evolution of a system of exchange control far more complete than existed in the First World War, describes the growth of Regulations which could be (and were) put into force on the outbreak of war, and their strengthening and improvement towards watertight efficiency in the light of experience during the first several months of action; interpretation of the Regulations as they affected various categories of residents and non-residents

(including

(including definitions of the same): special arrangements for certain leading industries and commodities; and relations with the U.S.A., Canadian and Sterling Area Controls.

Part III deals with financial relations with the U.S.A., Canada and certain other (e.g. Special Account) countries; it includes chapters on the Bretton Woods discussions, on the B.I.S. and on repatriations and conversions in the Dominions. Also, since Exchange Control was primarily instituted in order to protect them, on variations in the central reserves - their expansion and contraction as the external Balance of Payments (of the U.K. alone and of the Sterling Area as a unit) improved or (more often) deteriorated.

Part IV may be said to be concerned with all other aspects of the Bank's particular functions as the country's Central Bank: its relationships with various organisations with which its business is intimately connected - other banks, Accepting and Discount Houses, Insurance Companies, the National Debt Commissioners (of paramount importance as a medium for "small" savings and important also as an instrument of Market control), other Government Departments, the Capital Issues Committee and the Stock Exchange. The administration of staff and premises, a wide subject, also comes within its scope.

The History is set out as a series of chapters in which treatment of their subject matter is designed to tell the main story - sectionally rather than chronologically, though chapters endeavour to record developments in their correct sequence. The many detailed explanations of arrangements made to meet various contingencies are in practice relegated to a series of appendices, some very long, to which appropriate reference is made in the chapters of the main History. This should enable reading to be transferred from the one to the other as and when necessary or desirable.

The

The balance between the main story and the appendices naturally depends upon the character of the subject matter. The chapter on "Gold" in the main History contains less than 8,000 words while the appendices run to about 35,000. Under "Financial Relations with the U.S.A." the proportions are reversed: the main chapter contains some 20,000 words and the appendices on Lend-Lease administration, Mutual Aid, etc. about 10,000. Appendices are of two kinds: some consist mainly of interpretations of the Regulations (who were refugees, internees, etc., and what treatment did they receive?); others are more in the nature of supplementary chapters. All Establishments matters (in Part IV) are collected in appendices.

At the openings of both main chapters and appendices, references to file numbers are given from which the progress of this or that argument, or the Bank's views on the issues raised can, if necessary, be followed in detail.

Thus, for the account on "Gold", the reader will have to consult Chapter V and Appendix IV. "Financial Relations with the U.S.A." are covered by Chapter and Appendix . Appendices on the Establishment Department (Nos.) record all that it seems necessary to say on purely domestic (Bank) History.

Reference to individuals (limited as a rule to Directors, Advisers, or important persons outside the Bank) a change in whose style or title occurred during the war is made consistent by referring to them by their present rank, with a footnote to their first mention giving the date of creation of new rank or appointment.

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GOVERNORS AND DEPUTY GOVERNORS OF THE BANK
during the war period - 3rd September
1939 to

THE RT.HON.MONTAGU COLLET NORMAN,
D.S.O., Governor from ^{30th March} ~~1st April~~ 1920
to 17th April 1944
Created Baron Norman of St.Clere,
27th July 1944.
Deceased 4th February 1950.

LORD CATTO OF CAIRNCATTO, C.B.E. Governor from 18th April 1944
to 28th February 1949
Sworn a Privy Councillor
25th July 1947

BASIL GAGE CATTERNS, ESQ. Deputy Governor from 31st March
1936 to 31st August 1945

CAMERON FROMANTEEL COBBOLD, ESQ. Deputy Governor from 1st September
1945 to 28th February 1949
Governor from 1st March 1949.

DALLAS GERALD MERCER BERNARD, ESQ. Deputy Governor from 1st March
1949.

DIRECTORS OF THE BANK DURING THE WAR PERIOD -
3RD SEPTEMBER 1939 TO

(For Governors and Deputy Governors see also separate list.)

| | |
|--|---|
| CECIL LUBBOCK, ESQ. | Did not come forward for re-election in 1942. Deputy Governor from 24th April 1923 to 30th March 1925 and from 5th April 1927 to 25th March 1929. |
| SIR ALAN GARRETT ANDERSON, G.B.E., M.P. | Retired 28th February 1946. Deputy Governor from 31st March 1925 to 15th April 1926. Appointed to Stewardship of the Chiltern Hundreds, 29th January 1940. <i>Member of Parliament for the City of London 1935-1940.</i> |
| LORD ST. JUST OF ST. JUST | Did not come forward for re-election in 1940. Deceased 26th November 1941. |
| FRANK CYRIL TARKS, ESQ. | Retired 10th April 1945. |
| SIR ROBERT MOLESWORTH KINDERSLEY, G.B.E. | Created Baron Kindersley of West Hoathly January 1941 <i>New Year's Honours List 1941</i> Retired 28th February 1946. |
| GEORGE MACAULAY BOOTH, ESQ. | Retired 28th February 1946. |
| ARTHUR WHITWORTH, ESQ. | Retired 28th February 1946. |
| WALTER KENNEDY WHICHAM, ESQ. | Retired 28th February 1946. <i>Deceased 14th August 1948</i> |
| THE HON. ROLAND DUDLEY KITSON, D.S.O., M.C. | Succeeded to the <i>Barony</i> of Airedale 11th March 1944. Resigned 28th February 1947. <i>Retired</i> |
| LORD CRAIGMYLE <i>of Craigyle</i> | Did not come forward for re-election in 1943. Deceased 29th September 1944. |
| ALBERT CHARLES GLADSTONE, ESQ. | Succeeded to the Baronetcy of his cousin 12th February 1945. Resigned 28th February 1947. <i>Retired - killed by enemy action</i> |
| <i>of Shortlands</i> LORD STAMP, G.C.B., G.B.E. | Deceased 16th April 1941. |
| CHARLES JOCELYN HAMBRO, ESQ., M.C. | Created K.B.E. 12th June 1941. |
| SIR ANDREW RAE DUNCAN, G.B.E. | Resigned 11th January 1940 on his appointment as President of the Board of Trade. |
| SIR EDWARD ROBERT PEACOCK, G.C.V.O. | Retired 28th February 1946. |
| <i>of Mansel</i> LORD HYNDLEY, G.B.E. | Resigned 24th May 1945 on his appointment as Chairman of the Finance Corporation for Industry Ltd. |

- PATRICK ASHLEY COOPER, ESQ. Knighted New Year's Honours List
1944.
- EDWARD HOLLAND-MARTIN, ESQ. Retired 29th February 1948.
Baril Guye Catterns Esq.
JAMES GEORGE WEIR, ESQ., *Deputy Governor from 31st March 1936 to 31st August 1945*
C.M.G., C.B.E. Retired 28th February 1946.
Retired 29th February 1948
- DALLAS GERALD MERCER Deputy Governor from 1st March 1949.
BERNARD, ESQ.
- JOHN COLDBROOK HANBURY- Knighted New Year's Honours List
WILLIAMS, ESQ. 1950.
- JOHN MARTIN, ESQ. Retired 28th February 1946.
Deceased 28th March 1949
- SIR OTTO ERNST NIEMEYER, G.B.E., K.C.B.
- CAMERON FROMANTEEL COBBOLD, Deputy Governor from 1st September
ESQ. 1945 to 28th February 1949.
Governor from 1st March 1949.
- LAURENCE JOHN CADBURY, ESQ. (Re-elected 3rd April 1940)
- LORD CATTO OF CAIRNCATTO C.B.E. Resigned 30th June 1940 on his
(Elected 3rd April 1940) appointment as Financial Adviser
in H.M.Treasury.
Governor from 18th April 1944 to
28th February 1949.
Sworn a Privy Councillor
25th July 1947.
- ISAAC JAMES PITMAN, ESQ. Resigned 2nd August 1945 on his
(Elected 2nd April 1941) election as Member of Parliament
for Bath.
- JOHN MAYNARD KEYNES, ESQ., Created Baron Keynes of Tilton
C.B. 11th June 1942.
(Elected 8th October 1941) Deceased 21st April 1946.
- THE HON. JOSIAH WEDGWOOD Retired 28th February 1946.
(Elected 15th April 1942)
- BASIL SANDERSON, ESQ., M.C. (Re-elected 1st September
(Elected 7th April 1943) 1945)
- BASIL GAGE CATTERNS, ESQ. Deputy Governor from 31st March
(Re-elected 1st September 1936 to 31st August 1945.
1945) Retired 29th February 1948.
- HARRY ARTHUR SIEPMANN, ESQ. (Re-elected 1st September
(Elected 11th April 1945) 1945)
- RALPH ELLIS BROOK, ESQ., Resigned ^{9th} 10th November 1949 on
O.B.E. his appointment as Deputy
(Appointed 1st March 1946) Chairman of the Colonial
Development Corporation.
- GEORGE GIBSON, ESQ., C.H. Resigned 15th December 1948.
(Appointed 1st March 1946)
- LORD PIERCY, ^{of Banford} C.B.E. (Appointed 1st March 1946)

ARTHUR GEORGE WANSBROUGH, ESQ.
(Appointed 1st June 1946)

Resigned
~~Ceased to be a Director~~
28th February 1949.

LORD DUKESTON, ^{*of Lancaster*} C.B.E.
(Appointed 1st March 1947)

Deceased 14th May 1948.

THE HON. HUGH KENYON
MOLESWORTH KINDERSLEY,
C.B.E., M.C.
(Appointed 1st March 1947)

LORD BRAINTREE
(Appointed 1st March 1948)

GEORGE LEWIS FRENCH BOLTON,
ESQ.
(Appointed 1st March 1948)

Created K.C.M.G. - New Year's
Honours List 1950

MICHAEL JAMES BABINGTON
SMITH, ESQ., C.B.E.
(Appointed 1st March 1949)

SIR GEORGE CHESTER, C.B.E.
(Appointed 1st March 1949)

Deceased 21st April 1949

SIR KENNETH OSWALD PEPPIATT,
K.B.E., M.C.,
(Appointed 1st March 1949)

HUMPHREY CHARLES BASKERVILLE
MYNORS, ESQ.
(Appointed 1st March 1949)

ANDREW NAESMITH, ESQ., C.B.E.,
J.P.
(Appointed 30th September
1949)

GEOFFREY CECIL RYVES ELEY,
ESQ., C.B.E.
(Appointed 25th November
1949)

W. J. P.

ADVISERS 1939 - 1945

HENRY CLAY Resigned 30th September 1944 on his appointment as Warden of Nuffield College. Created a Knight Bachelor Birthday Honours List 1946.

H.A.SIEPMANN Elected a Director 11th April 1945.

R.N.KERSHAW, C.M.G.,
M.C.

J.A.C.OSBORNE Pensioned 1st September 1945.

G.L.F.BOLTON Appointed a Director 1st March 1948.
(Appointed an Adviser 1st March 1941) Created K.C.M.G. - New Year's Honours List 1950.

J.B.RICKATSON-HATT
(Appointed an Adviser 10th March 1941)

H.C.B.MYNORS Appointed a Director 1st March 1949.
(Appointed an Adviser 23rd November 1944)

J.S.LITHIBY Appointed an Assistant Adviser 10th June 1940
(Appointed an Adviser 1st March 1946) Appointed a Deputy Adviser 1st March 1944

F.F.J.POWELL Appointed a Deputy Adviser 1st March 1941
(Appointed an Adviser 1st March 1946)

J.L.FISHER Appointed an Assistant Adviser 1st March 1939
(Appointed an Adviser 1st March 1950) Appointed an Acting Adviser 1st March 1946
Appointed Deputy Chief Cashier (Exchange Control) 29th January 1948.

C.A.GUNSTON Pensioned 5th November 1949
(Appointed an Assistant Adviser 1st March 1939)

L.P.THOMPSON-McCAUSLAND Appointed an Assistant Adviser 1st October 1941
(Appointed an Adviser 1st March 1949) Appointed an Acting Adviser 1st March 1947

C.E.LOOMBE Appointed an Acting Assistant Adviser,
(Appointed an Assistant Adviser 1st March 1950) 1st October 1945.

CHIEF OFFICIALS OF THE BANK

3rd September 1939 - ?

| | | |
|-----------------------------------|--|--|
| <u>Assistant to the Governors</u> | E.H.D.Skinner | Appointed 1 March 1935 (Pensioned 1 August 1945) |
| | Sir G.E.B.Abell, K.C.I.E., O.B.E. | Appointed 1 March 1949 |
| <u>Chief Cashier</u> | Sir K.O.Peppiatt, K.B.E., M.C. | Appointed 18 April 1934 |
| | P.S.Beale | Appointed 1 March 1949 |
| <u>Chief Accountant</u> | A.M.Walker | Appointed 1 January 1921 (Pensioned 11 February 1945) |
| | E.M.Stapley (Jointly with A.M.Walker from 11 May 1939 to 11 February 1945) | Appointed 11 May 1939 |
| | F.C.Hawker | Appointed 1 June 1948 |
| <u>Secretary</u> | H.C.B.Mynors | Appointed 11 May 1939 |
| | W.H.Nevill | Appointed 23 November 1944 |
| | A.W.C.Dascombe | Appointed 15 May 1949 |
| <u>Chief of Establishments</u> | J.D.Mackenzie | Appointed 1 June 1934 (Pensioned 1 October 1945) |
| | E.N.Dalton (Jointly with J.D.Mackenzie from 5 August 1943 to 1 October 1945) | Appointed 5 August 1943 |
| | M.McGrath | Appointed 11 November 1949 |

OFFICIALS OF H.M. TREASURY

| | |
|-----------------------------|---|
| Sir Richard V.N.Hopkins | 2nd Secretary 1932-1942 Permanent Secretary 1942-1945 |
| Sir Edward E.Bridges | Permanent Secretary 1945 - - |
| Sir Frederick Phillips | Joint 2nd Secretary (in 1940-42 mainly in U.S.A.) Died 16th August 1943 |
| Sir Wilfrid G.Eady | Joint 2nd Secretary 1942 - - |
| Sir (Sigismund) David Waley | Principal Assistant Secretary |
| Sir Herbert Brittain | do. |

PRIME MINISTERS

The Rt.Hon.Neville Chamberlain, resigned 10th May 1940.

The Rt.Hon.Winston (Leonard Spencer) Churchill, 13th May 1940 -
27th July 1945.

The Rt.Hon. Clement Richard Attlee, 27th July 1945 - .

CHANCELLORS OF THE EXCHEQUER

Sir John A.Simon (Viscount: 1940) until 10th May 1940.

Sir Kingsley Wood, 13th May 1940; died 22nd September 1943.

Sir John Anderson, 25th September 1943 - 17th July 1945.

Dr.Hugh Dalton (27th July 1945 --).

The following changes of title of persons mentioned in this record occurred during or shortly after the war:-

| | | <u>Created</u> |
|--------------------------|------------------------------------|----------------------------|
| The Rt.Hon.M.C.Norman | Bank of England | Baron 1944 |
| Sir Robert Kindersley | do. | Baron 1941 |
| K.O.Peppiatt Esq. | do. | K.B.E.1941 |
| Henry Clay Esq. | do. | Knight 1946 |
| J.M.Keynes Esq., C.B. | H.M.Treasury | Baron 1942 |
| Herbert Brittain Esq. | do. | K.B.E. 1944 |
| Prof.H.D.Henderson | do. | Knight 1942 |
| E.R.Street, Esq., C.B.E. | | Knight 1942 |
| C.J.Gregg Esq., C.B. | | K.B.E. 1941 K.C.B. 1944 |
| George Ismay Esq., C.B. | | K.B.E. 1947 |
| Charles Lidbury Esq. | Westminster Bank | Knight 1941 |
| The Hon.S.M.Bruce | High Commissioner for Australia | Baron 1947 |

See S.D. Walsh

K.C.M.E. 1942

CHRONOLOGICAL TABLE: KEY DATESI Progress of the War1935

| | |
|--|-------------|
| Italy invaded Abyssinia | October 3 |
| Sanctions applied against Italy | November 18 |
| Hoare-Laval proposals re Abyssinia issued in Paris | December 8 |

1936

| | |
|--|------------|
| German troops occupied Cologne and other towns in the Rhineland | March 7 |
| German Government denounced Treaty of Locarno | " 7 |
| Spanish Civil War started | July 17/18 |
| King Leopold declared that Belgium must henceforward follow a policy exclusively Belgian | October 14 |

1937

| | |
|--|---------|
| Bi-lateral Naval Agreements signed in London with Germany and the U.S.S.R. | July 17 |
|--|---------|

1938

| | |
|--|--------------|
| Austria declared part of German Reich | February 12 |
| Dr. Schacht re-appointed President of Reichsbank | " 16 |
| Anglo-Italian Agreement signed in Rome | April 16 |
| Hitler's State visit to Rome | May 3 - 9 |
| Munich Pact | September 29 |

1939

| | |
|---|----------|
| Germany invaded Czecho-Slovakia | March 15 |
| Memel occupied | " 22 |
| Italy invaded Albania | April 7 |
| Hitler denounced Naval Agreement with Britain of 1935 and non-aggression Pact with Poland of 1934 | " 28 |

Anglo-Turkish

1939 (contd.)

| | |
|--|-------------|
| Anglo-Turkish Pact | May 12 |
| Italo-German Alliance signed in Berlin | " 22 |
| U.S.denounced Trade Treaty of 1911 with Japan | July 26 |
| Russo-German Pact | August 24 |
| Anglo-Polish Alliance signed | " 25 |
| Germany invaded Poland | September 1 |
| Great Britain and France declared war on Germany | " 3 |
| South Africa entered the war | " 5 |
| President of U.S.A. declared a state of "limited" national emergency | " 8 |
| Battle of Warsaw began | " 9 |
| Canada declared war | " 11 |
| Soviet troops entered East Poland | " 17 |
| Poland partitioned by Russia and Germany | " 28 |
| Empire Air Training Scheme announced | October 10 |
| First German air raid on British Isles (Firth of Forth) | " 16 |
| United States Neutrality Act passed | November 4 |
| Russia attacked Finland | " 30 |

1940

| | |
|--|---------------|
| Finland signed peace with Russia | March 12 |
| Germany invaded Norway and Denmark | April 9 |
| First battle of Narvik | " 10 |
| Germany invaded Holland, Belgium and Luxembourg | May 10 |
| Resignation of Mr.Chamberlain; Mr.Churchill Prime Minister | " 10 |
| Formation of Home Guard (L.D.V.) announced | " 14 |
| Dutch capitulation | " 15 |
| Bismarck sunk ^{7 Sept} | " 27 |
| Capture of Narvik | " 28 |
| Belgian Army capitulated | " 28 |
| Dunkirk evacuation | " 30 - June 3 |
| Norwegians ceased hostilities | June 9 |
| British withdrew from Norway | " 10 |

Italy

1940 (contd.)

| | |
|---|-------------|
| Italy declared war on Britain and France | June 11 |
| Germans entered Paris | " 14 |
| British offer of Anglo-French union rejected | " 16 |
| Pétain Government formed | " 17 |
| French Armistice with Germany | " 22 |
| French Armistice with Italy | " 24 |
| General de Gaulle recognised by U.K. Government as leader of Free French | " 28 |
| Channel Islands: Guernsey occupied | " 30 |
| Jersey occupied | July 1 |
| Vichy Government broke off relations with Great Britain | " 5 |
| Italians invaded British Somaliland | August 4 |
| Battle of Britain began | " 8 |
| First all-night raid on London | " 26/27 |
| Anglo-American Agreement - sea and air bases granted in exchange for 50 destroyers | September 3 |
| Bank of England bombed | " 8 |
| Italian invasion of Egypt | " 13 |
| Battle of Britain climax | " 15 |
| U.S. Conscription Act | " 16 |
| Axis Pact: Germany, Italy and Japan | " 27 |
| Italy attacked Greece | October 28 |
| Allied Desert Offensive (Africa) | December 9 |
| Mr. Ryti elected President of Finland | " 19 |
| Fire raid on London (Guildhall and 8 Wren churches destroyed) | " 29/30 |

1941

| | |
|---|------------|
| Mr. Winant to succeed Mr. Kennedy as U.S. Ambassador to U.K. | February 7 |
| Bulgaria signed pact with Axis | March 1 |
| U.S. Lend-Lease Act | " 11 |
| National Service Bill | " 26 |
| Pro-Axis coup d'état in Iraq | April 3 |
| Severance of diplomatic relations between U.K. and Hungary | " 4 |
| Germans invaded Greece and Yugoslavia | " 6 |

1941 (contd.)

| | |
|---|------------------------|
| Salonika occupied by Germans | April 9 |
| U.S. took Greenland under her protection | " 10 |
| Belgrade occupied by Germans | " 13 |
| Germans entered Athens | " 27 |
| Allied withdrawal from Greece | " 22 - May 1 |
| Rudolf Hess landed in Scotland | May 10 |
| House of Commons destroyed (last heavy raid on London in 1941) | " 10/11 |
| Germans invaded Crete | " 20 |
| President of U.S.A. proclaimed state of "unlimited" national emergency | " 27 |
| Iraqi revolt collapsed | " 30 |
| British Forces completely withdrawn from Crete | June 1 |
| Germany invaded Russia | " 22 |
| Finland resumed hostilities with Russia | " 26 |
| Anglo-Soviet Mutual Assistance Pact | July 12 |
| Syria and Lebanon under Allied control | " 14 |
| Japanese troops landed in Indo-China | " 26 |
| Mr.Churchill and President Roosevelt agreed on Atlantic Charter (published August 12) | August 11 |
| British and Russian troops entered Iran | " 25 |
| French National Committee established | September 25 |
| British and U.S.Delegations to Three-Power Conference in Moscow | " 28 - October 1 |
| Battle for Moscow | October 5 - December 6 |
| Syria given independence | " 28 |
| Imperial Forces took offensive in Libya | November 18 |
| Sections 2, 3 and 6 of U.S.Neutrality Act repealed* | " 18 |
| Lebanon given independence | " 26 |
| Pearl Harbour attacked by Japanese | December 7 |
| U.K. declared war on Finland, Hungary and Roumania | " 7 |
| U.S.A. and U.K. declared war on Japan | " 8 |
| Australia, New Zealand and S.Africa declared war on Japan | " 9 |
| | Indo-China |

*For financial section, see 21.2.42.

1941 (contd.)

| | |
|---|------------|
| Indo-China declared "enemy territory" by U.K. | December 9 |
| Thailand occupied by Japan | " 9 |
| Prince of Wales and Repulse sunk | " 10 |
| Germany and Italy declared war on U.S.A. | " 11 |
| Mr.Churchill in Washington | " 23 |
| St.Pierre et Miquelon occupied by Free French | " 24 |
| Fall of Hong Kong | " 25 |
| Mr.Churchill in Ottawa | " 29 |

1942

| | |
|--|-------------|
| 26 Nations Pact signed in Washington | January 1 |
| Ethiopia: Sovereignty of Haile Selassie recognised | " 31 |
| Fall of Singapore | February 15 |
| Section 7 (Financial) of U.S.Neutrality Act abrogated | " 21 |
| Mutual Aid Agreement (U.S.A.-U.K.) | " 23 |
| Battle of Java Sea | " 27 |
| St.Nazaire raid | March 28 |
| U.S.Forces at Bataan surrendered | April 9 |
| First "Baedeker" raid (Exeter) | " 24 |
| U.S.garrison at Corregidor surrendered | May 4 |
| British land on Madagascar | " 5 |
| Twenty-year Anglo-Soviet Treaty signed | " 26 |
| Extended Empire air-training agreement signed in Ottawa by U.K., Canada, Australia and New Zealand | June 5 |
| Mr.Churchill in U.S.A. | " 18 - 27 |
| Fall of Tobruk | " 21 |
| Germans reached El Alamein | July 1 |
| Germans captured Sevastopol | " 1 |
| Germans withdrew from El Alamein | " 2 |
| International wheat agreement | " 2 |
| Montgomery took command of 8th Army | August 1 |
| Mr.Churchill in Moscow | " 12 |
| Commando raid on Dieppe | " 19 |
| Brazil declared war on Germany and Italy | " 22 |

Germans

1942 (contd.)

| | |
|---|-------------|
| Germans reached Stalingrad | September 5 |
| Allied offensive resumed in Egypt: El Alamein | October 23 |
| Armistice signed in Madagascar | November 5 |
| Allied Forces landed in North Africa | " 8 |
| U.S. relations with Vichy France broken off | " 9 |
| German Troops entered Unoccupied France | " 11 |
| Axis forces driven out of Egypt | " 12 |
| German forces entered Toulon. French warships in harbour scuttled | " 27 |
| Russian forces flung back German counter attacks on Stalingrad and central front | December 18 |

1943

| | |
|--|-------------------------|
| Casablanca Conference (Churchill-Roosevelt) | January 14 - 24 |
| Russians raise siege of Leningrad | " 18 |
| 8th Army entered Tripoli | " 23 |
| German forces at Stalingrad capitulated | February 2 |
| General Eisenhower appointed to Command in North Africa | " 6 |
| Soviet Government broke off relations with Poland | " 26 |
| First concentrated raid on Berlin | March 1 |
| Tunis captured | May 7 |
| Mr Churchill arrived in Washington | September 19 |
| Axis forces in Tunisia surrendered | May 13 |
| Conference on Food and Agriculture at Hot Springs opened | " 18 |
| Treaties with China renouncing British and U.S. extra-territorial rights ratified | " 20 |
| Canadian Mutual Aid Act passed | " 24 |
| Sicily invaded by Allies | July 10 |
| Mussolini resigned | " 25 |
| Fascist Party dissolved | " 26 |
| Anglo-American Conference in Quebec | August 11 - 24 |
| Resistance in Sicily ceased | " 17 |
| French Committee of National Liberation recognised by Allies | " 26 |

Italian

1943 (contd.)

| | |
|---|-------------------|
| Italian Armistice signed | September 3 |
| Mr.Churchill arrived in Washington | " 11 - 19 |
| Italy declared war on Germany | October 13 |
| Tripartite Conference in Moscow | " 19 - 30 |
| Lebanon: French arrested President, Prime Minister and other Ministers | November 11 |
| Cairo Conference: General Chiang Kai-Shek, Mr.Churchill and President Roosevelt | " 22 - 26 |
| Teheran Conference: Mr.Churchill, President Roosevelt and Marshal Stalin | " 28 - December 1 |
| Cairo Conference: President Roosevelt, Mr.Churchill and President of Turkey | December 4 - 6 |

1944

| | |
|--|------------|
| General Eisenhower assumed duties of C-in-C A.E.F. | January 16 |
| Argentina broke with Axis | " 26 |
| Anglo-French Mutual Aid pact signed | February 8 |
| Mutual Aid Agreements signed between Canada, U.K., Russia and Australia | March 16 |
| Puppet government installed in Hungary by Hitler | " 22 |
| Germans occupied Roumania | " 23 |
| Russians entered Roumania | " 31 |
| De Gaulle became head of French armed forces | April 4 |
| Greek Government resigned | " 5 |
| Military and Political Co-operation Agreement signed by Yugoslavia and Italy | " 10 |
| Britain suspended foreign diplomats privileges (except U.S. and Russian) | " 17 |
| Turkey banned chrome exports to Germany | " 20 |
| Marshal Badoglio formed new Italian Government | " 20 |
| Empire Prime Ministers met in London | May 1 |
| Britain and U.S./Norway, Netherlands and Belgium Agreement signed concerning administration of liberated territories | " 16 |
| Rome occupied by Allies | June 4 |
| Allies invaded France ("D-Day") | " 6 |
| Portugal stopped wolfram exports to Germany | " 7 |

Marshal

1944 (contd.)

| | |
|--|----------------|
| Marshal Badoglio resigned: new Italian Government | June 9 |
| First flying bomb launched against London | " 13 |
| Termination of ban on use of Diplomatic Bags by diplomatic missions | " 19 |
| U.S. severed diplomatic relations with Finland | " 30 |
| Attempted assassination of Hitler by German Generals | July 20 |
| Allied landings in France from Mediterranean | August 15 |
| Paris liberated | " 25 |
| Roumania declared war on Germany | " 25 |
| Finland broke off diplomatic relations with Germany | September 2 |
| Brussels liberated | " 3 |
| Bulgaria declared war on Germany | " 7 |
| First V2 in London Area | " 8 |
| Armistice signed between Russia, Great Britain and the U.S. and Roumania | " 13 |
| Russo-Finnish peace terms published | " 20 |
| Mr.Churchill and Mr.Eden visited Moscow | October 9 - 19 |
| U.K., Dominions, U.S.A. and U.S.S.R. recognised de Gaulle's Administration as provisional Government of France | " 23 |
| Armistice signed between Bulgaria and the Allies | " 28 |
| All Belgium freed | November 3 |
| Lord Moyne, British Minister in Middle East, assassinated in Cairo | " 6 |
| President Roosevelt elected for 4th term | " 7 |
| Anglo-U.S. air talks began | " 11 |
| Canada: Mackenzie King announced conscription for overseas service | " 23 |
| Polish Premier in London resigned | " 23 |
| Antwerp re-opened to traffic | " 28 |
| Soviet-French Treaty | December 10 |
| Mr.Churchill and Mr.Eden opened Conference at Athens | " 23 - 26 |
| Hungary declared war on Germany | " 30 |

1945

| | |
|--|------------|
| Lublin Polish Provisional Government recognised by Soviet Government | January 5 |
| Russian and Polish troops captured Warsaw | " 17 |
| Crimea Conference at Yalta | February 6 |
| Peace Treaty in Greece concluded | " 12 |
| Budapest completely occupied by Russians | " 13 |
| Rhine crossed at Remagen by U.S. forces | March 7 |
| Four-Power economic pact signed in Paris | " 20 |
| Last rocket (V2) fell (at Orpington) | " 27 |
| All Hungary liberated | April 4 |
| Chile declared war on Japan | " 5 |
| British and U.S. Governments recognised Argentine Government | " 9 |
| President Roosevelt died | " 12 |
| Vienna liberated by Russians | " 13 |
| Mussolini executed by Italian partisans | " 28 |
| Unconditional surrender of German armies in Italy: (Hostilities ceased 2nd May) | " 29 |
| Death of Hitler in Berlin announced | May 1 |
| Berlin surrendered to Russians | " 2 |
| German First and Nineteenth Armies surrendered to American forces | " 4 |
| German forces in Holland, N.W. Germany, Denmark, etc., surrendered | " 5 |
| Unconditional surrender of all German fighting forces | " 7 |
| Victory Holiday | " 8 |
| World Security Charter signed at San Francisco | June 26 |
| First atomic bomb dropped on Japan (Hiroshima) | August 6 |
| Russia declared war on Japan | " 8 |
| Japanese surrender | " 14 |

II Internal Administration and Financial1936

Devaluation of French franc September 26

1937

"Cash and Carry" Bill passed by U.S.Senate March 3

Chancellor informed the House that the
E.E.Fund was to be increased by £200 million June 25

1938

Mr.Eden resigned office of Foreign Secretary February 20

1939

Conscription introduced into U.K. April 26

Stock Exchange closed September 1 - 6

Bank Holiday (affecting Banks only) " 4

Stock Exchange: all dealings for cash:
minimum prices for certain securities " 7

Chancellor's letter to Bankers asking them to
restrict certain classes of Advances " 26

3% Defence Bonds, Post Office issue, placed
"on tap" November 22

1940

Exchequer provided £1 million a week to control
food prices January 31

3% War Loan 1955/9 Prospectus issued March 5

5 exports to certain territories to be
invoiced in hard currencies " 7

3% War Loan issued " 12

All exports to certain territories to be
invoiced in hard currencies June 7

Anglo-Netherlands Financial Agreement " 14

2½% National War Bonds 1945/7: first
Tap Issue " 24

First Treasury Deposit Receipt Borrowings July 6

Income tax 8/6 in the £ " 23

"War Weapons" weeks began September 18

Anglo-Turkish

1940 (contd.)

| | |
|--|------------|
| Anglo-Turkish Financial Agreement | December 2 |
| £10 million credit to China announced | " 10 |
| War Damage Bill introduced | " 11 |
| 2½% National War Bonds 1946/8 placed "on tap" | " 27 |
| 3% Savings Bonds 1955/65 placed "on tap" | " 27 |

1941

| | |
|---|------------|
| Anglo-French Financial Agreements signed | March 19 |
| Free French territories included in Sterling Area | April 2 |
| British loan to Spain: £2½ million | " 7 |
| U.S. froze German and Italian assets in U.S.A. | June 14 |
| U.K. credit to Russia of £10 million at 3% for 5 years | August 16 |
| "Warships" weeks began | October 18 |

1942

| | |
|---|------------|
| Government took over Railways and L.P.T.B. | January 1 |
| Billion dollar gift by Canada | " 26 |
| British and U.S. Loans (£50 million and £125 million respectively) to China | February 2 |
| New Anglo-Soviet Arms Agreement signed in Moscow. Further British credit of £25 million | June 27 |
| B.O.T. fixed prices for all textiles and utility boots | July 25 |
| Beveridge Report on Social Security issued | December 2 |

1943

| | |
|---------------------------------|---------|
| "Wings for Victory" weeks began | March 6 |
|---------------------------------|---------|

1944

| | |
|--|----------|
| "Salute the Soldier" weeks began | March 25 |
| Mr. Montagu Norman retired from Governorship of Bank of England: to take effect from 18th April: succeeded by Lord Catto | April 6 |
| All travel abroad from Britain banned | " 24 |
| Government White Paper on Employment Policy after war | May 26 |

1944 (contd.)

| | |
|--|--------------|
| Eire General Election: De Valera obtained majority of 14 | June 1 |
| Bretton Woods discussions began (ended 22nd July) | July 1 |
| Bank of England's 250th Anniversary | " 27 |
| 3% Savings Bonds 1965/75 issued | August 15 |
| H.M.G.'s Social Security Plan published | September 25 |
| U.K.Monetary Agreement with Belgium | October 6 |
| Sir E.Grigg appointed Minister Resident in Middle East | November 21 |
| Iron and Steel freed from Lend-Lease export ban | " 30 |

1945

| | |
|--|----------|
| Anglo-French Financial Agreement signed in Paris | March 27 |
| Price of gold raised to $172\frac{1}{3}$ (for S.A. mines retrospective to January 1) | June 9 |
| U.S.Registered Accounts become "American Accounts" | July 1 |
| U.K.Election: Labour win | " 26 |
| Authorised Banks - Extension of Exchange Control powers | August 1 |
| B.I.D.Company to be wound up: Gazette Notice | " 28 |

III Rationing1940

| | |
|------------------------------|-----------|
| Bacon, ham, butter and sugar | January 8 |
| Meat | March 11 |
| Tea | July 9 |
| Margarine and cooking fats | " 22 |

1941

| | |
|-------------------|----------|
| Jam and marmalade | March 17 |
| Cheese | May 5 |
| Clothes | June 1 |
| Eggs | July 1 |

1942

| | |
|--|------------|
| Dried and canned fruits | January 22 |
| Soap | February 9 |
| Tinned milk | April 6 |
| Petrol (none except for authorised purposes) | July 1 |
| Chocolates and sweets | " 26 |

Preface

This compilation is designed primarily for use in the event of another major war. Technicalities, therefore, could not be avoided even if sometimes they become tedious. But motives are no less important and have been dealt with wherever they could be discovered.

Some parts of the record have been contributed by various hands and the whole is therefore less homogeneous than could be wished. A shorter history would be more readable, but perhaps less useful.

There were many differences between the Bank of England of 1914 and that of 25 and 30 years later as it happened, because of an unexampled continuity in its direction. Lord Norman, created a baron in 1944, had not only been Governor from 1920 to 1944, but for six years before 1920 he had been an informal Assistant Governor and then Deputy Governor.

Even in 1914 the Bank did not quite consciously regard itself as a Central Bank - the term indeed had not then been invented - though they understood well their responsibilities as such under the regime of the Gold Standard. But they still held themselves a little too aloof from the other bankers, with whom they continued to compete, if not very actively, until the outbreak of the first World War; and judged by their subsequent relationship to the Treasury they were remote also from Whitehall. At that time, too, the Bank had almost no contacts with industry.

Lord Norman altered the Bank's outlook in almost every direction, and in particular drew them into close contact and collaboration with the Treasury.

But paradoxically the co-ordination of the Bank and Treasury, under which the Bank's advice was sought or given with greater continuity and on a wider range of subjects, did not in 1938-39 result in an identity of views on two main aspects of war-time finance, whereas there had been complete and almost automatic agreement upon them at the outbreak of, and indeed throughout the greater part of, the war of 1914-18. There had then been disagreements and misunderstandings, but on other subjects

In that war the Treasury and the Bank for years felt that borrowing at increasingly high rates was unavoidable; and both Treasury and Bank were equally anxious that London should maintain unimpaired, at least so far as official actions went and the war permitted, its position as an international financial centre.

Before the second World War broke out the U.K. had had to abandon the Gold Standard, re-introduced in 1925, and the Bank, though desiring to preserve the international status of sterling so far as possible, were ready, while the Treasury were not, to impose restrictions on its free transferability into foreign currencies. The Bank had had seven years' experience in the management of the Exchange Equalisation Account and fully realised the dangers of an inadequate control; at the same time they believed that a full control would be expected and accepted by other countries on the outbreak of war.

Again, although urged by an ex-Treasury official of the previous war, Lord (then Mr.J.M.) Keynes, created a baron in 1942, and simultaneously by the Bank, to adopt a cheap money policy from the outset, the Treasury before and during nearly a year of the second World War could not quite bring themselves to believe that this would be practicable.

This failure to agree before and during the early months of the war on such important aspects of war finance may perhaps have been partly due to the fact that, although the Bank had had the same Governor for nearly 20 years before the war and the Secretary of the Treasury, Sir Warren Fisher, had also been in office from 1919 to 1939, the former had made an almost complete change in the Bank's higher officials by way of large additions to their number, many having been brought in from outside, while there had been far fewer changes in the personnel of the Treasury, which had not been adequately increased or renewed.

Thus, in spite of the closer relationship between the Bank and the Treasury, the Bank had moved away from 1914-18 while the Treasury tended to look at the new war in the light of their

experience of the previous one. The politicians too, or some of them, expected a short war as they had in 1914, and this made it more difficult for the Bank to persuade the Treasury to long views.

During the late war the Bank and Treasury became almost one organisation when dealing with matters where they were jointly concerned; and questions of finance, internal and external, were discussed between them almost daily, and at different levels; partly through joint committees but still more through the correspondence, meetings and telephone conversations of individuals. So much of the discussions was oral that the record of the development of opinion between the Bank and the Treasury is naturally at times defective. It would have been impossible to record on paper the gist of all negotiations, even if there had been opportunity and no paper shortage. Memories also suffered from pressure of work and could not always be relied on to supply missing information.

Many officials on both sides were involved and at the Treasury many changes of duties took place, so that continuity of policy seemed to be sometimes endangered, and it has at times been difficult for the historian to know whose views represented those of the Treasury. Naturally on neither side would officials express entirely uniform views while a joint Treasury-Bank opinion was being worked out as a preliminary to action: not all their differing contributions could reflect the official, even if temporary, conclusions of the Treasury and Bank respectively; some must be personal or at best semi-official reactions.

But in spite of all qualifications no doubt the co-operation between Treasury and Bank over the war period was remarkably successful: at least as complete and satisfactory as could be expected of any two separate institutions with such long-established traditions and different, if over-lapping, responsibilities.