

CHURCHILL AND BRITAIN'S 'FINANCIAL DUNKIRK'

RICHARD TOYE

ABSTRACT: At the end of World War II the United Kingdom, on the verge of bankruptcy, was threatened with 'a financial Dunkirk'. Winston Churchill was eager to help the new Labour government tackle this crisis. However, his ability to give such help, in his position as Leader of the Opposition, was constrained by important divisions within his own party. These caused him considerable political difficulties as 1945 came to a close, prompting a major Conservative rebellion against his leadership on the question of the proposed US loan to Britain. Yet, in spite of his discomfiture on this issue in the domestic sphere, he went on, during his 1946 trip to the USA, to play a key role in overcoming congressional opposition to the loan. Moreover, he did so in close collaboration with Clement Attlee's government. In reciprocating the spirit of unity that Labour had showed in 1940, Churchill revived, during Britain's 'financial Dunkirk', the spirit and the ethos of the original. Using previously unpublished evidence, this article tells the story in full for the first time.

At the end of World War II the United Kingdom, on the verge of bankruptcy, was threatened with what the economist and Treasury adviser John Maynard Keynes described as 'a financial Dunkirk'.¹ This fact must have been in Winston Churchill's mind on the day of his electoral defeat at the hands of the Labour Party, when he is said to have commented: 'The new government will have terrible tasks. Terrible tasks. We must do all we can to help them.'² Churchill's ability to give such help, in his new position as Leader of the Opposition, was constrained by important divisions within his own party on the questions of international political economy, questions that lay at

the heart of the country's problems. These caused him considerable political difficulties as the year 1945 came to a close, prompting a major Conservative rebellion against his leadership on the question of the proposed US loan to Britain. Yet, in spite of his discomfiture on this issue in the domestic sphere, he went on, during his 1946 trip to the USA, to play a key role in overcoming congressional opposition to the loan. Moreover, he did so in close collaboration with the Attlee government, helping it to secure one of its vital objectives, without which it might have been sunk. In reciprocating the spirit of unity that Labour had showed in 1940, Churchill made an important contribution to averting the looming national crisis.

This is a story that has for the most part remained untold, although some authors have touched on aspects of it. Paul Addison has noted that, in 'one of the feeblest speeches he ever delivered on a great occasion, Churchill called for his party to abstain in the [House of Commons] vote' on the loan; but that 79 of his MPs ignored their leader, 71 of these entering the 'no' lobby. He does not, however, mention Churchill's subsequent campaign in favour of the loan.³ Martin Gilbert, by contrast, notes Churchill's 'considerable effort' in support of the loan during his US visit, without mentioning his previous call on his own MPs to abstain, and without offering significant comment.⁴ (Other biographers have acted similarly.)⁵ Richard N. Gardner, moreover, has shown how the famous 'iron curtain' speech, given in Fulton, Missouri, contributed indirectly to the loan's passage through Congress by helping make US politicians more willing to assist Britain in the face of the growing Soviet threat to which Churchill drew attention.⁶ Gardner's brief remarks, however, make no reference to Churchill's *direct* efforts on behalf of the loan. Of the other writers who have written (briefly) on the episode, it is John Ramsden who has provided the most

interesting comments. He has suggested that Churchill made little effort to be helpful to the British government during his American trip. He has also remarked on a request for economic information, which, he alleges, was made direct to the Chancellor of the Exchequer, bypassing officialdom: 'it is typical of Churchill's semi-detached position at the time that he would use yet another informal and personal link for the gathering of information, rather than going through official channels.'⁷

This article provides the first full account of what happened. It shows in detail why Churchill advocated abstention in the Commons vote against his own better instincts, why Conservative MPs rebelled against his lead, and how, in spite of this repudiation by his followers, he worked hand-in-hand with the British government to help ensure the loan passed Congress. In so doing, it draws not only on the private papers of Churchill and others concerned, but also on materials from the Public Record Office, including an account of a meeting between Churchill and senior US politicians that had previously been overlooked. Such evidence facilitates a new perspective on Churchill's activities in 1945-6. First, fresh light is thrown on his difficulties in managing the Conservative Party. Second, it is seen how, ignoring those difficulties – and contrary to Ramsden's claims - he backed up his advocacy of an Anglo-American 'special relationship' in practical terms through unofficial economic diplomacy on behalf of a government he opposed.

Churchill and international political economy during WWII

From 1941 onwards, Churchill's government had wrestled with problems of international economic post-war reconstruction. The US government was determined to extract, as the price of wartime lend-lease aid, British commitments towards

multilateral and non-discriminatory trade and payments regimes. Moreover, any post-war American aid was likely to be conditional on practical progress towards these ideals, through membership of the Bretton Woods institutions (the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD)) and through joint action to establish an International Trade Organization (ITO). Labour ministers, with the key exception of Ernest Bevin, were keen to cooperate with the Americans along these lines.⁸ The Conservatives were far more divided. Those who favoured the Atlanticist agenda included Sir John Anderson (Lord President of the Council, and then Chancellor of the Exchequer), Anthony Eden (Foreign Secretary), and, at the more junior level, the Foreign Office minister Richard Law. Opponents included Leo Amery (Secretary of State for India), Lord Beaverbrook (Lord Privy Seal, 1943-5) and Robert Hudson (Minister of Agriculture).⁹ In addition, vocal backbench opposition came from Bob Boothby, who retailed his views in the USA, to the anger of British officialdom.¹⁰ These divisions meant that Churchill himself had a difficult course to steer.

It might have been expected that Churchill's support for a more open international economy would have been open and unambiguous. After all, in 1904 he had defected from the Conservatives to the Liberal Party on the issue of free trade; and claimed that the imperial preference system advocated by proponents of tariff reform would make the Empire odious to the British working people.¹¹ However, during the 1930s he had (somewhat opportunistically) announced his conversion to protectionism, welcoming the 1932 Ottawa agreements in public whilst scorning them in private.¹² If, then, he never truly warmed to imperial preference, during WWII he was nonetheless unwilling to submit to US pressure for a British commitment to abandon it, in return

for wartime aid. Therefore, although, in 1942, Britain agreed to Article VII of the Mutual Aid Agreement, whereby as ‘consideration’ for Lend-Lease, she agreed ‘to the elimination of all forms of discriminatory treatment in international commerce’, Churchill only agreed to this after he had extracted a promise from President Roosevelt that this did not mean Britain was committed in advance to getting rid of preferences.¹³ This was doubtless, in and of itself, sound bargaining – but it was also essential from the point of view of the prime minister’s domestic political position.

Churchill was equally cautious with regard to international financial reform. Opponents of the proposed monetary fund alleged, inaccurately, that joining it would amount to a return to the gold standard (from which Britain had departed ignominiously in 1931).¹⁴ The prime minister might well have been forgiven for some sensitivity on the point - as Chancellor he had presided over the return to gold in 1925 – and may have been wary of repeating his earlier mistake. This, together with the obstructive and at times hysterical attitude of the Beaverbrook cabal, helps explain the defensive and almost negative attitude he took to the Anglo-American negotiations that flowed from Article VII.¹⁵ It should be noted, however, that although he was not in the multilateralist vanguard himself, he seems to have been content to let Anderson and the Labour Atlanticists make the running. His rambling cabinet interventions could, on the most generous interpretation, have been made out of cunning, in the hope of misleading and entrapping the ‘antis’.¹⁶ But even if he did not, as seems likely, fully understand all the economic issues at hand, he never intervened decisively against the Article VII agenda. For, as the war drew to an end, he was increasingly appreciative of the fact that Britain was ‘broke’, and knew perfectly well that future US help would be conditional on pledges of international economic good behaviour.¹⁷

As discussions about Britain’s post-war requirements accelerated in the spring of 1945, he started to show more positive support for the multilateralist case. In March,

Roosevelt asked Churchill to see Bernard Baruch, an unofficial adviser to the President, and a long-standing friend of both men.¹⁸ A dinner was held, the purpose of which was to give a sceptical Baruch a full and frank assessment of the level of aid the British felt they would need, and on what terms. Keynes recorded that ‘Winston was quite magnificent throughout, in his very best form, taking a profound interest in our Treasury problems for once, thoroughly understanding the points at issue and at every stage supporting the line taken by the Chancellor against the carping critics’, i.e. Beaverbrook and his close ally Brendan Bracken.¹⁹ Over the coming months, the critics continued to receive cold comfort. As Churchill’s ‘Caretaker’ government was being formed in May, Eden noted in his diary that Bracken had refused to accept the presidency of the Board of Trade ‘unless he knew our attitudes’ to Bretton Woods.²⁰ This must have meant that Bracken hoped the agreement would not be ratified: at any rate, the necessary assurances were not forthcoming, and Bracken went to the Admiralty instead.

Nevertheless, Churchill fought shy of committing himself openly in advance of the general election. During the campaign itself, his reticence became a matter of public comment. Roy Harrod ran a mildly quixotic Liberal campaign in Huddersfield ‘on the sole plank of Article VII’. He alleged that there was a serious danger in returning the Conservatives to power, as it was probable that those Tories who opposed greater freedom of trade would get their way, and that the prospects for the British economy, which depended on Anglo-American co-operation on the lines of Article VII, would thus be frustrated. ‘Churchill, whose own ideas on these topics might be perfectly sound, would be a prisoner in the Conservative camp.’ At the behest of the flustered Liberal National incumbent MP, who wanted support for his own declaration that the government stood by Article VII, Churchill was moved to describe Harrod’s accusations as ‘mischievous’.²¹ Talk of Churchill as a ‘prisoner’ of his party on international economic issues was, doubtless, an exaggeration. But the subsequent

story of Conservative reaction to the proposed American loan indicates the very real difficulties he faced.

The prelude to the loan debate

Less than a month after Churchill was ejected from Downing Street, the Americans cut-off Lend-Lease aid to Britain, as a consequence of the end of the war with Japan. This action seemed to threaten ‘stark ruin’ to the British.²² There were, however, some within the Conservative Party who actively seemed to welcome the development. Leo Amery – who had lost his seat at the election – noted in his diary: ‘It looks as if all my objections to Bretton Woods, multilateral low tariff schemes etc. and my advocacy of reliance on sterling will now be justified and that sheer necessity will force Attlee and Co onto a policy of Empire trade: “And not through Eastern windows only”!’²³ Churchill shared no such satisfaction. His reaction to Attlee’s announcement of the news in the Commons on 24 August appeared to be one of shock. In line with the Prime Minister’s request, he pledged that his supporters would not engage in immediate controversy on the issue, for fear of hampering the negotiations on future US aid that were to take place in Washington. He continued: -

I cannot believe that it [the cut-off of Lend-Lease] is the last word of the United States; I cannot believe that so great a nation whose Lend-Lease policy was characterised by me as “the most unsordid act in the history of the world,” would proceed in a rough and harsh manner to hamper a faithful Ally, the Ally who held the fort while their own American armaments were preparing.²⁴

He was, of course, quite right that this was not the last word; but many Conservatives felt that the aid settlement that the Americans proposed was, nonetheless, harsh, and insufficiently indicative of gratitude to Britain. Talks began in Washington DC in September, the UK team being led by Keynes and Lord Halifax (the latter was British

Ambassador to the USA and Churchill's erstwhile Foreign Secretary). The negotiations were fraught with difficulty. Hugh Dalton, the Labour Chancellor, recalled: 'we retreated, slowly and with a bad grace and with increasing irritation, from a free gift to an interest-free loan, and from this again to a loan bearing interest; from a larger to a smaller total of aid; and from the prospect of loose strings, some of which would be only general declarations of intention, to the most unwilling acceptance of strings so tight that they might strangle our trade and indeed, our whole economic life.'²⁵ Churchill received no special briefings from the government on the progress of the negotiations. Given that the UK delegation and the government were at times at cross-purposes, such information might not have been much use anyway. In the absence of hard facts, there were stirrings in the Tory ranks.

Towards the end of September, the US embassy in London advised Washington that the American proposal to link the progressive elimination of imperial preferences with the reduction of American tariffs would be welcome to all British political parties. The exception, however, would be 'the Amery group of Tory imperialists and the Beaverbrook clique who are fighting for an exclusive sterling area, Empire preference and bilateral bargaining'.²⁶ The embassy was doubtless right that these groups posed no serious threat to the British government's acceptance of the proposed deal, but they did have the potential to be a serious headache for Churchill, who was struggling to find his feet as Leader of the Opposition. Amery did his best to exploit 'the wonderful opportunity offered by the present situation', and was eager to develop 'a really effective campaign for educating both the Conservative Party and the public at large.'²⁷ In this he was fortified by the attacks on Keynes's negotiating strategy published in the Beaverbrook press.²⁸

It was amazing that Amery – a veteran of Joseph Chamberlain’s tariff reform campaign – could summon the concentration to engage in political activity. His son John was awaiting trial for treason, and in due course, having pleaded guilty, was executed on 19 December.²⁹ In spite of these personal difficulties, Amery Senior devoted considerable energy to intrigue on international economic policy. On 16 October he recorded in his diary ‘a little talk about the Washington situation’ at the Carlton Club. (The other participants included Hudson who, unlike Amery, was still an MP). He wrote: ‘I gather Oliver Lyttelton [one of the Conservative Party’s key frontbench spokesmen] is thoroughly unsound, and I imagine Winston is too, and Anthony [Eden] temperamentally weak but it is hoped afraid of going against the trend of the Party.’ In an attempt to correct Churchill’s perceived deficiencies, Amery sent him a paper he had written for the Institute of Export, ‘but his charming letter in reply discreetly avoids referring to it.’³⁰ On 22 November Amery noted further: ‘Winston and Oliver Lyttelton are just mid-Victorian Liberals on economic issues while Anthony [Eden] is tiresomely internationalist.’³¹

Amery was certainly right that Churchill was likely to view any settlement with the Americans positively. The negotiations were finally concluded at the beginning of December. Britain was to receive a line of credit of \$3.75 billion at 2% interest, repayable in fifty annual instalments from 1951. In return, Britain was to ensure by 31 December 1946 that her use of quantitative trade controls did not discriminate against the United States; make sterling generally convertible for current transactions within one year after the effective date of the agreement (i.e. by 15 July 1947, as it turned out); commit herself to joint Anglo-American proposals on progress towards

multilateral trade; and it was further understood that she would ratify the Bretton Woods agreement.³² Halifax advised Churchill: 'We have not got what I had hoped but from their point of view the Americans have not been unreasonable. ... I have no doubt that if and when it all comes before Parliament there will be many critical voices raised, but I hope yours will not be among them for you will see more clearly than most how disagreeably wide in its implications and grim is the alternative.'³³ Although, when Attlee gave details of the proposals in the Commons on 6 December, Churchill made no substantive comment on them, he was certainly pleased that an agreement had been reached.³⁴ Some days later, Churchill replied to Halifax: 'I am glad you have been able to reach an arrangement about the loan. You must have had very difficult and protracted negotiations.'³⁵ Because of his position, he was now in for a difficult time himself.

His difficulties were exacerbated by the short period between Attlee's announcement and the Commons debate on the loan, which was to take place on 12 and 13 December. Although 'special meetings of the interested [party] Committees were laid on', Tory MPs felt they were being rushed to make up their minds on the basis of insufficient information.³⁶ On 11 December the Chief Whip was informed by his deputy that there was 'a growing and strong desire for a meeting of our boys ... at which as clear a lead as is possible can be given by the leader himself'. The rank and file, he was told, 'are becoming more uneasy, and don't know quite what to think or do.'³⁷ By that point, however, the Consultative Committee (or 'Shadow Cabinet') had not yet made up its own mind on the issue. The *Times* reported the same day that Churchill would meet with the committee that evening, and that 'little doubt remains' that it would decide to support both the government's motion on the loan, and the Bretton Woods Bill.³⁸ This was not, though, the decision that was taken.

The extent of Tory divisions was by now becoming clear. Sir Herbert Williams MP, chairman of the London Conservative Union, had said that ‘We are now going to return to the gold standard’, and that Britain was going to be ‘put under the heel of international finance by the Socialist Government.’ The Empire Industries Association (EIA), after a meeting presided over by Amery, had announced that it was unlikely that Britain would be able to repay the loan. Four Tory members had put their names to a hostile amendment to the government motion tabled by Boothby and Christopher Hollis MP.³⁹ Nor could the anti-loan view be dismissed as the preserve of a lunatic fringe. Lord Woolton, a former coalition minister subsequently appointed by Churchill as Chairman of the Conservative Party, advised his leader that ‘America owes us something for the period that she made us pay “on the barrel” for the goods that we needed to prosecute the war, whilst she was hesitating as to whether it was politically advisable to fight in a righteous cause. ... This loan is a policy of appeasement to America.’⁴⁰ Harold Macmillan recalled in his memoirs that ‘Beaverbrook, who although not sharing our counsels still had a considerable influence, opposed the loan violently’, and ‘was supported with equal vigour by Bracken.’ Meanwhile, Oliver Stanley, a key frontbench spokesman on financial questions ‘was in favour of acceptance of the loan in spite of the drawbacks’.⁴¹ Lyttelton emphasised that ‘It is quite inaccurate to describe the Bretton Woods proposals as a return to the gold standard’;⁴² and Eden sent Churchill a pro-loan leading article clipped from the *Financial Times*.⁴³ But Churchill needed no persuasion. In Macmillan’s words, the party leader ‘was instinctively for taking the American money’.⁴⁴

The Consultative Committee's conclave on the 11th lasted nearly two hours. The day had seen a 'marked stiffening' of Tory opposition to the loan.⁴⁵ In his diary, Hugh Dalton later reported gossip that the party's frontbenchers had had 'great rows behind the scenes with Winston'.⁴⁶ Macmillan later claimed that 'most of us were content to follow Churchill and Stanley', which may have been true, at least initially.⁴⁷ And yet the outcome of the meeting was a decision to recommend abstention on the loan vote.⁴⁸ Amery thought this 'not heroic but as good as one could hope for.'⁴⁹

For light on this decision, we must turn to the explanations later offered privately to Halifax, who viewed it as 'a final confession of impotence and futility.' Eden wrote to him: 'The Loan was extremely unpopular here, and the object of our inaction was to try to prevent the Tory Party collectively voting against it.' He and Churchill, if left to themselves, would have entered the 'aye' lobby, but they had calculated that if they did so the great majority of the party would have voted 'no'. Moreover,

There was a further complication in respect of the Lords. If we had had a "free-for-all" vote for the Opposition in the Commons the Lords would have demanded the same, and Bobbety [Viscount Cranborne, Conservative leader in the Lords] felt confident that the majority would have voted against the Bill. We felt that this would be a disaster, and since Bobbety felt that he could only hold his peers if we abstained in the Commons we did abstain, despite taunts and jeers.⁵⁰

Halifax heard similarly from Hudson that 'the deciding consideration' was Cranborne's warning of 'a first-class Constitutional crisis'. The ambassador himself thought that 'even our backwoods friends in the House of Lords would not have been sufficiently irresponsible, or irresponsible in sufficient numbers, to create the difficult situation that Bobbety feared.' But neither he nor Keynes (who shared this view) was actually present in Westminster at the time that Cranborne took his soundings and

offered his opinion.⁵¹ It is hardly surprising that the Consultative Committee took the advice of the man on the spot.

The following day, there was a further meeting of the Consultative Committee at 11.30 a.m., 'Winston having had second thoughts', but it was decided to stick to the decision that had been taken.⁵² The decision was conveyed to backbenchers at the party meeting that followed (although it is possible that Churchill had given Boothby advance warning).⁵³ The message does not appear to have gone down well.⁵⁴ Much of the discontent seems to have come from MPs with agricultural constituencies, who were worried about the effect of the proposed British trade commitments on the farming industry. Earlier in the week, the Conservative Agricultural Committee had debated the implications of the loan agreement; and '75% of the Committee were in agreement that unremitting opposition should be given to the Government on this question'. At the same time the committee decided unanimously to ask that Hudson be allowed to put the case for agriculture in the Commons debate. Therefore many of them doubtless shared the dismay of R.H. Turton, MP for Thirsk and Malton, who now asked Churchill who would present the agricultural case from the front bench. As Turton subsequently explained to his leader: 'I was surprised and disappointed to hear you say Sir John Anderson, who neither is a member of our Party nor, amongst his eminent and well-recognised qualifications, has he ever previously been regarded as an agricultural spokesman.' (At the election, Anderson had stood under the label 'National' rather than 'Conservative'.)⁵⁵ Churchill's own authority with his MPs had been weakened by a less-than-sparkling performance in a recent debate on a motion of censure on the government and by his poor attendance at the House. Urged by the 1922 Committee to promise to show up more often, he had announced defiantly that

he intended to go to the USA for several months' holiday.⁵⁶ Consciousness of his own weak situation may explain why, at the party meeting, he did not insist unconditionally that his supporters abstain on the loan. Rather (according to Turton) he merely made an 'appeal ... that we should only vote against the Government if we were impelled by our consciences to take this course.' It seems probable, though, that many MPs had not yet finally made up their minds how to vote, and, like Turton, decided to await the course of the debate before doing so.⁵⁷

The parliamentary debate

Dalton opened the debate on the afternoon of 12 December, and it was Anderson who replied to his address. Anderson said he did not doubt that the government had secured the best deal open to them in existing circumstances. Moreover, he lent support to Bretton Woods, although he was dubious about the speed with which convertibility was to be introduced; and said he found the reference in the commercial proposals to 'elimination' of imperial preference unpleasant. In regard to agriculture, he agreed that it might be right to say that the commercial declaration went further 'in the direction of recognising the special problems of agriculture' than any previous document issued with the authority of the US government; but it nonetheless appeared that the right to protect agriculture had been very considerably restricted. At the end of his speech he announced the decision to abstain. He claimed that the reason for it was mainly the unsatisfactory wording of the government resolution welcoming the loan: the word 'welcomes' seemed to him to import 'a note of enthusiasm that goes far beyond anything we really feel.'⁵⁸ The *Manchester Guardian* noted both that Dalton and Sir Stafford Cripps (the President of the Board of Trade) seemed 'a little taken aback at the discovery that the Tories were not going into the Government

Lobby', and that Anderson's explanation 'seemed thin'.⁵⁹ From the point of view of Tory backbenchers (as later articulated to Churchill by Turton), the real flaw in Anderson's speech was that 'he never brought forward the detailed arguments which were worrying the representatives of the 150 agricultural constituencies that still support the Conservative Party. Indeed, his words ... can be interpreted as to mean that, in his view, there was no substantial ground for agricultural complaint.'⁶⁰

Anderson was followed by Boothby, who denounced the agreement as a return to 'international economic anarchy and to the economic system of the nineteenth century ... which crashed to destruction in 1929'. It was 'our economic Munich.' The agreement involved contracting the imperial preference system in return for a loan that could be spent on, amongst other things, tobacco purchases from the USA. These facts led Boothby to his conclusion: 'there is one mandate which His Majesty's Government never got from the people of this country, and that was to sell the British Empire for a packet of cigarettes.'⁶¹ With this, he threw a packet of cigarettes onto the floor of the House of Commons, causing a sensation.⁶²

Prior to Churchill's winding-up speech on the second day, few Tory contributions to the remainder of the debate were memorable. (An exception was the speech of Lieutenant-Colonel Sir Thomas Moore, who quoted his charlady's advice to him: 'Tell those gentlemen in the House of Commons to stand up for Britain and not trail after the Americans and their spam.'⁶³) There was one speech, from David Eccles (MP for Chippenham) advocating a vote for the loan agreement: seven other Tories and one Liberal National would take his advice.⁶⁴ Frontbench contributions from Lyttelton and Stanley merely demonstrated the difficulty of arguing, on the one hand, that the loan was necessary, and, on the other, that Conservatives should abstain from

supporting it.⁶⁵ The question of those who did *not* speak is also of significance. Turton later complained that the Speaker had called ‘not one of the many ... who wished to put the case for agriculture’, with the result that ‘At the end of the Debate, agriculture’s case had been put neither by the Opposition front bench nor back bench.’⁶⁶ The one thing that might have saved the day, from the point of view of the party leadership, was a strong performance from Churchill.

This he was unable to provide. With the Commons packed and excitement at a high pitch, Churchill told the House he had misgivings about the loan. ‘It is a great pity that we should have allowed a commercial loan agreement to be mixed up and linked with other transactions’ such as Bretton Woods. Moreover, rapid progress towards convertibility ‘appears to be a proposition so doubtful and perilous that the best hope is that in practice it will defeat itself, and that it is in fact too bad to be true.’⁶⁷ (Gardner has described this observation – not with approval - as ‘remarkable’. But Dalton, for one, shared Churchill’s doubts about convertibility, which proved prescient.)⁶⁸ In addition, the non-discrimination provisions of the agreement were ‘most objectionable’; and Churchill resented ‘the indecent haste with which these most serious complex matters are thrust before us, and have to be settled.’ There was no reason at all, he argued, why the Conservatives should ‘share the responsibility of the Government’:

I cannot understand why we – the Opposition, the minority – should be expected to come forward to approve and welcome a proposal which fills every party in the House with great anxiety, and which is only commended to us by the fear of an even darker alternative.⁶⁹

His appeal to abstain was, the *Manchester Guardian* reported, ‘urged and repeated with almost desperate earnestness.’⁷⁰ For all that, the Labour benches followed what he said ‘with a mixture of incredulity and repressed anger, which occasionally broke out in loud and indignant protests.’⁷¹ Churchill ‘sat down with hardly a cheer’ – but his problems did not end there.⁷² The final speech of the debate was made by Ernest Bevin, the Foreign Secretary. He first raised a laugh by saying that he had never expected to meet Churchill ‘in the capacity of an abstainer.’ He went on to challenge Churchill to say whether or not he thought a Conservative government would have got better terms from the USA than the Labour government had. Churchill fell into the trap and said, ‘I am certainly of the opinion that we should have got better terms.’ ‘Then that is a libel on the Administration of the United States’, Bevin shouted back, amid loud interruptions, banging at the same time on the despatch box. ‘...I will not believe, nor will I have it said about them without challenge, that the American Government conduct their foreign policy in the light of a change of Government brought about by the free vote of the people of Great Britain.’⁷³ After Bevin finished speaking, Churchill and his frontbenchers remained in their places. ‘But the benches behind them suddenly began to empty,’ reported *The Times*, and the Opposition leaders had the discomfiture of seeing a large body of Conservative back-benchers heading for the “No” Lobby.⁷⁴ The motion passed by 345 votes to 98, plus two tellers on each side. (Half an hour later, the Bretton Woods Agreements Bill passed by 314 to 50, plus tellers.) The rebels included Peter Thorneycroft, who as a consequence of his decision to vote ‘no’ stood down from the front bench.

On the Labour side Dalton, for one, relished the sight of Churchill, Eden, Stanley and Lyttelton sitting ‘miserably on their backsides’ whilst their MPs defied them. The rebellion, in his view, ‘was a clear and blatant repudiation of Winston’s leadership

and it seems doubtful whether he can last much longer.’⁷⁵ Harry Crookshank MP noted in his diary that ‘Winston is very upset, talks of giving up etc.’⁷⁶ Amery recorded: ‘In spite of his very urgent appeal 71 Conservatives voted against Winston’s advice - a great shock to his leadership which now, in peace, is unnatural. The 71 may yet save the Conservative Party.’⁷⁷ The *Daily Herald* crowed: ‘It was a blunt and brutal demonstration that Mr. Churchill no longer holds the confidence of his Party ... it is expected that in the very near future he will give up the leadership of the Tories in the Commons.’⁷⁸ The *News Chronicle* offered a more realistic assessment. Churchill was unlikely to resign: ‘Nor is the party likely to press for such a drastic step. All one can say is that when Mr. Churchill does decide to step down there is not now likely to be much attempt to dissuade him.’⁷⁹ Churchill himself continued to blow hot and cold about his future intentions, but over the coming years successfully resisted all attempts to dislodge him.⁸⁰

Even if his leadership was not in immediate peril, Churchill’s worries were not yet over. The loan still had to be approved by the House of Lords, with its built-in Conservative majority. Beaverbrook tabled an amendment to the government’s resolution; were this passed, the constitutional crisis that Cranborne had feared would undoubtedly materialise. The debate took place on 17 and 18 December. As Keynes – who had just returned from America – later noted, ‘There cannot have been for many years such a crowded and excited sitting.’⁸¹ On the first day, the most notable Conservative contribution was from Woolton, who repeated, in fractionally more moderate terms, the views he had previously made to Churchill in private. Talk of a financial Dunkirk was inaccurate: ‘we fought at Dunkirk, but to-day we are

surrendering what I conceive to be our just rights.’ However, he advocated abstention rather than a vote against the loan.⁸²

In a brilliantly persuasive speech the following day, Keynes himself explicitly rejected Woolton’s line that American gratitude to Britain should have dictated more generous financial assistance. To say so was to misunderstand the atmosphere in Washington: ‘it was not our past performance or our present weakness but our future prospects of recovery and our intention to face the world boldly that we had to demonstrate’ during the negotiations. Keynes also attacked the conception, of which Beaverbrook was such a prominent exponent, of an empire economic bloc as an alternative to the loan. Such a bloc, he said, would exclude Canada (which was outside the Sterling Area) and consist ‘of countries to which we already owe more money than we can pay, on the basis of their agreeing to lend us money they have not got and buy only from us and one another goods we are unable to supply.’⁸³

After this pre-emptive strike, Beaverbrook, during his own speech, floundered badly.⁸⁴ He was followed by Cranborne, who, Keynes later reported, ‘made a most masterly speech by way of getting out of a silly situation. ... He helped give Max [Beaverbrook], who was sitting next [to] him on the front bench, one of the most humiliating days of his life – and Max seemed painfully conscious that it was so.’⁸⁵ Cranborne focussed on the threat of constitutional crisis were the government resolution defeated: ‘While ... I cannot advise your Lordships, feeling as I do, to do such violence to your consciences as may be involved in a vote for the Resolution, I do urge you most strongly not to vote against it.’⁸⁶ The resolution was passed by 90 votes to 8. According to Keynes, ‘it seemed to me clear that practically everyone was

voting Aye out of conviction, and not merely to avoid a constitutional crisis, and that, if there had been a free vote with no one abstaining, the majority would have been larger.’⁸⁷ Through a combination of Keynes’s skill and Cranborne’s, Churchill had escaped another damaging blow to his leadership of the Conservative Party. The loan itself, however, was not yet safe. It still had to pass the US Senate, and that it would do so was by no means a foregone conclusion.

Churchill woos US opinion

Misapprehension about Churchill’s true position on the loan contributed significantly to Congressional doubts. The former prime minister was highly respected in the United States – a point that, significantly, was very much appreciated by Attlee’s ministers. As Herbert Morrison, the Lord President of the Council, reported to the Cabinet after a visit to the USA in January 1946, his ‘enormous prestige and popularity’ were everywhere apparent.⁸⁸ Unsurprisingly, then, Churchill’s Commons speech advocating abstention on the loan agreement had been widely quoted in US news broadcasts. According to the *Daily Telegraph*, ‘It was especially disturbing to listeners who are aware of his admiration and respect for the United States.’⁸⁹ British officials in New York and Washington hoped, therefore, that he would use his own visit to the US to make clear that, in fact, he was in favour of the loan (an attitude of which, as has been seen, Halifax was aware).

The occasion for the visit was a lecture he was to give in March at Westminster College, Fulton, Missouri, although the lecture itself was merely the highlight of a much longer itinerary. He set sail for New York on 9 January, and from there travelled to Miami Beach, where, on the 15th, he gave a press conference. He used the

opportunity to make his first public declaration of support for the loan. In explaining why Britain required the loan, he said:

We suffered far more than any other country during the war. Some countries were overrun, but they were not fighting. We were fighting and using up our credit. We borrowed all we could and now we must use all we can get.

Later on he returned to the theme:

We are most anxious to earn our own living and be independent. I'm sure His Majesty's Government would never approve of having the social and economic life of Britain improved at the expense of other countries, particularly when they are now our good friends. But if we're not given the opportunity to get back on our feet again we may never be able to take our place among other nations.⁹⁰

This, however, was not enough to counteract, in all the important quarters, the impression that Churchill had made previously;⁹¹ and certainly not enough, in itself, to overcome the doubts that he had propagated in some American minds about the merits of the loan. He now began to drop words into the ears of opinion-formers. On 31 January, he bumped into Joseph P. Kennedy, the former US ambassador to London, at the racetrack. Kennedy – surprisingly, given that he was no great friend of Britain - said he ‘favored the British loan as a gift rather than as a loan’. Churchill emphasised that ‘He thought that England desperately needed the loan, and if she didn't get it, the very Left Wing of the Labor Party would point out the injustices of the capitalistic system of the United States and it would not be long before it would be wiped out in England. Then another force would be created to help wipe it out in the United States.’ A few weeks later, in response to a query from the *New York Times*, Kennedy declared publicly his support for the loan.⁹²

Churchill had a harder task convincing his friend Bernard Baruch. Before the 1945 general election, Baruch had expressed fears that any loan to the UK would strengthen British economic imperialism; afterwards, he worried that US financial help would amount to subsidising socialism. His feelings were also fuelled by a longstanding hatred of Keynes.⁹³ He was a vain man, who habitually exaggerated the extent of his own influence; but if the Truman administration did not listen to him, it was possible that Congress would.⁹⁴ At any rate, British officials believed he posed a serious threat. At the beginning of February, Harold Butler, a British Information Services official in New York, wrote to Halifax of a conversation he had had with Sylvia Porter, Financial Editor of the *New York Post*. According to Porter's information, Baruch had 'said, with a certain relish, that he was ready to testify on the loan if called upon, clearly meaning that he had been called upon. He was going to oppose it tooth and nail'. Given that he was in active communication with a number of Senators and Congressmen, 'many of whom considered him an oracle', Porter felt that a strong effort should be made to influence him to change his attitude, 'which she thought might prove very injurious to the chances of the loan which in any case she felt to be in considerable danger.' Butler added that, if possible, Churchill should be persuaded to write him a letter: 'There is no doubt that Baruch prides himself on his friendship with him ...He probably thinks, or at any rate will allege, that W.S.C. is opposed to the loan. If he were told plainly that this were not the case, it might have a considerable influence on him.'⁹⁵ Halifax passed on to Churchill Butler's letter, adding, 'If you did feel able to speak to him [i.e. Baruch], and I should think speaking would be better than writing, it might be very valuable.'⁹⁶

Churchill had by now returned to Florida after a sojourn in Cuba. On 17 February, or shortly before, he met with Baruch, together with Secretary of State James F. Byrnes. Churchill had contracted a heavy cold, and met the two men lying in bed.⁹⁷ As Churchill informed Attlee in a long telegram, ‘we had a two hour talk on the loan and on affairs in general’. Baruch, he reported, had been vexed at not being consulted during the course of the loan negotiations, which he thought Keynes had mismanaged:

Baruch thought it a mistake that interest should be charged for the loan, that Imperial Preference should be brought into it at all and that we should not be able to convert as soon as was proposed. On the other hand he considered that we should specify precise objects for which we required the loan. ... he repeated continually that there would be no question but that the United States would supply Great Britain with all the food she needed in the transition period. On the other hand he considered that no case had been made out for so large an amount as 4 billion dollars ...

Baruch also said that the loan should not be used to repay debts British incurred to Empire countries during the war. Churchill told Attlee: ‘I was not able to supply particulars of exactly what we wanted the loan for, but if you like to let me have them in compendious form, I shall have a further opportunity of showing them to Baruch when I am in New York, who will certainly be mollified by being consulted.’ He also added that he had told Baruch ‘that failure of the loan at this stage would bring about such distress and call for such privation in our island as to play into the hands of extremists of all kinds and lead to a campaign of extreme austerity, detrimental alike to our speedy recovery and to our good relations.’ Baruch ‘did not seem convinced but undoubtedly he is most anxious not to be unfriendly to our country, for which he expressed the most ardent admiration.’⁹⁸

The telegram was circulated to Eden, Bevin and Dalton. The latter clearly did not read it all that carefully, and noted in his diary, 'I am to send W.C. some material for future use, including [for] his forthcoming speech at Fulton.' This has led Ramsden to conclude that Dalton may have been 'in some way complicit' in the preparation of the Fulton speech (although he also notes that 'It is hard to see what this economic material might have been used for, if indeed it was used at all'). But it seems that the Chancellor was merely confused about the use to which the material was to be put. Furthermore, Ramsden's conclusion that Churchill bypassed official channels to contact Dalton directly is unsustainable.⁹⁹ That Attlee was fully aware of Churchill's request, and stimulated Dalton's involvement himself, is evident from his reply, sent on 25 February, which he drafted by hand. 'I am sure you will have done much good. ... Halifax should have full information on our requirements for dollars, but I am asking the Chancellor to send you a compendious note.'¹⁰⁰

This was sent three days later. It noted that a considerable part of the loan would be devoted to the purchases of American goods and services, such as sugar, dairy produce, meat, cotton, steel, timber, tobacco, machinery and films. 'The rest will be devoted to the financing of our deficit with other countries; the result of this is to enable these other countries to buy from the United States of America and it thus enables us (though with great risk, because the quantity of money is not enough) to make sterling convertible and to adopt a liberal commercial policy on the lines favoured by the United States Administration.' Moreover, 'A definite assurance can be given to Mr. Baruch that none of this money will be used to repay debt', as this was already laid down in the loan agreement itself.¹⁰¹ It would be a few weeks,

however, before Churchill would have another opportunity to tackle his friend on the matter; and in the meantime, Baruch was still planning to testify before Congress.¹⁰²

On 3 March, Churchill travelled to Washington DC, and the next day departed for Missouri by train, accompanied by Truman. During the long journey, the two men bantered. 'I have only one complaint to make of the American people,' Churchill told the President: 'you stop drinking with your meals.' Truman explained that this habit enabled the USA to save enough money to lend large sums to Britain. Churchill replied, 'the great American pastime these days seems to be twisting the loan's tail.'¹⁰³ On the 5th, at Fulton, Churchill delivered his famous warning: 'From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent.' He argued that to counteract the Soviet menace, the British Empire and the USA should join together in 'fraternal association'. (He was widely understood to be calling for a military alliance, something he later denied). Although he made a brief reference to restarting Britain's export trade, he did not mention the loan.¹⁰⁴ Others, however, were quick to make the connection between economic help to Britain, and the broad strategic issues that he had raised.

Churchill's speech provoked, at least at first, considerable hostility in the US.¹⁰⁵ In this atmosphere, on 12 March, it was pointed out to Secretary of Commerce Henry A. Wallace during Congressional hearings that 'There have been people who have described this loan as one step toward Mr. Churchill's military alliance.' (Wallace replied: 'I would not be for it for a moment if I thought so.')¹⁰⁶ The *Wall Street Journal* saw the reaction to Churchill's speech as 'convincing proof' that the United States did not want an alliance, but the loan involved special treatment for Britain and

would have international political implications. If the American people did not want to grant it on that basis, 'it is better that it not be made'.¹⁰⁷ Hostile telegrams received by Truman and Churchill respectively argued that 'British expectations as exposed by Churchill for eternal lend-lease is only typical' and advised 'go home and quit begging for more dollars'.¹⁰⁸ But, from the point of view of the loan's supporters, there were also more positive signals. On 16 March, *The Manchester Guardian* published a report from its American correspondent that said that the Republican senator Robert Taft, 'perhaps the most unconstructive opponent' of the loan, had admitted that support for it had risen in the last ten days 'beyond expectations.' This sudden energy was, the writer claimed, attributable to the rising conflict between Russia and the West revived by Churchill's speech: 'the loan has taken on quite a new and possibly false function as an investment against Russian imperialism.'¹⁰⁹ The *Economist* likewise noted – not with any pleasure – that if the loan passed, the balance in its favour would have been tilted by the belief that it represented an investment in security: 'This may well be the first fruit of Fulton.'¹¹⁰

Churchill's itinerary now took him to Washington DC and New York via Virginia. In Washington there occurred an important episode, which has been overlooked by historians. On 10 March, Halifax hosted a dinner for Churchill, attended by nine key Democratic and Republican Senators and Congressmen, including the House Speaker, Sam Rayburn, and the Senate and House minority leaders.¹¹¹ From the point of view of securing the passage of the loan, the most significant figure was the Republican Senator Arthur Vandenberg, a member of the Foreign Relations Committee, and one of the architects of Truman's bipartisan foreign policy. He was sceptical about the loan, which, he had written privately, posed 'a tough conundrum for me and my

Republican colleagues'.¹¹² He had explained to John Anderson in London at the end of January that although the Americans were glad to give the British money, 'they could scarcely fail to offer similar advantages to Russia, and there was great antipathy to doing that.'¹¹³ He was, however, a great admirer of Churchill (whose 'iron curtain' speech had, by the time of the dinner, already helped change the terms of the debate).¹¹⁴ If Churchill could use the opportunity of the dinner to persuade him of the merits of the loan, it would be a great coup, because Vandenberg was so influential in Republican circles.

According to Alan Hudson, the British official who kept a record of the conversation, Vandenberg, 'indirectly inspired', asked Churchill about his opposition in the Commons to the loan agreement. Churchill replied that he was glad to have the chance to set the record straight: 'There were indeed certain aspects of the Agreement which he did not like but that was a far cry from saying that he did not wish to see the Loan approved as was believed, he thought, in this country.' The points that he did not like were the convertibility obligation, and the fact that interest was to be charged. 'He felt strongly that Britain's weakened economic position was due entirely to unstinting sacrifices and all-out effort to win against a common enemy, and it was "deeply humiliating" to have to come to the U.S. to ask for assistance. The charging of interest changed the whole nature of the transaction into a financial undertaking instead of allowing it to be an act of appreciation and understanding between brothers-in-arms.' Churchill went on to explain that

to many people in Great Britain Imperial Preference was not a vulgar commercial advantage but a symbol of great sentimental value which connoted unity and brotherhood under the Crown. Therefore, Americans must be more understanding in their approach to this question.

Churchill was not a believer in imperial preference, he said, but he did not regard the loan agreement as in any way committing Britain to abolish it: 'If other countries were willing to lower barriers then it would clearly be to the advantage of the United Kingdom to lower barriers as well, but there was nothing in the Loan Agreement which committed her to reduce or abolish Imperial Preferences regardless of the action of other countries.'¹¹⁵ (Churchill, as he later explained to Herbert Williams MP, did not think the Americans would in practice make 'any very decisive tariff reductions'. The implication of this was that it was unlikely that Britain would have to substantially modify imperial preference.)¹¹⁶ His main emphasis, however, was on the trade war which, he said, would be bound to follow on rejection of the Loan by the United States:

The United States with its economic power would clearly win such a fight but it would indeed be a pyrrhic victory. There were fears of British socialism in this country, but he would point out that most of the leaders of the present Government had been members of the Wartime Coalition Government; were men of experience and understanding and were certainly not rash doctrinaire socialists, liable to go to extremes. ... Mr. Churchill later declared that if the Loan were not granted, England would nevertheless come through somehow – belts would have to be tightened still further and austerity endured for much longer but England would come through and with her Empire remain as always one of the great forces in the world for stability, justice and freedom.

Hudson himself judged that 'despite the reserve shown by the Senators and Congressmen present, they were definitely impressed by all that Mr. Churchill had to say.'¹¹⁷ It is notable that, in due course, all those present, with the exception of Senator Arthur Capper, subsequently supported the loan, some of them vocally. (Of course some of them would undoubtedly have done so even without Churchill's intervention.) Vandenberg's surprise announcement of his intention to vote in favour

was particularly important. It was, as Gardner notes, ‘the turning-point in the Senate debate’.¹¹⁸ Churchill’s intervention may not have been the sole cause of Vandenberg’s change of heart, but it seems likely to have been an important one.

Churchill also reiterated his message more publicly, at the National Press Club, the day after the dinner. It was reported to Attlee that Churchill’s comments ‘should go a good way to offset the effect here of the attitude of the attitude of the Opposition to the Loan agreement.’ This, together with an earlier ‘long, frank and friendly, personal telegram’ from Churchill to Attlee and Bevin, giving the background to his Fulton Speech, further helped cement relations with the Labour government.¹¹⁹ Churchill, of course, still had unfinished business with Baruch – whose intentions had continued to be the subject of Washington gossip¹²⁰ - and this was to be resolved during discussions between the two men once the former had arrived in New York.

Precisely what passed between them subsequently became a matter of some dispute. Keynes told ministers shortly afterwards that Churchill had ‘persuaded Mr Baruch, who was one of the most dangerous critics we had to fear and had the intention of appearing before Congress to denounce the Loan, to agree to abstain almost as a personal favour to himself as an old friend. I believe that Mr Churchill told Mr. Baruch that, if the latter were to denounce the Loan, people would not easily believe, in view of the close relations between them, that he, Mr Churchill, was not behind this, a misconception which he would regard as exceedingly unfortunate.’¹²¹ As Keynes had travelled back from America on the same ship as Churchill, and had discussed other substantive issues with him, it seems probable that Churchill himself was the source for this story.¹²² However, when, in 1949, Roy Harrod proposed to

quote it in his biography of Keynes, Baruch denied the tale in rather violent terms, resenting the imputation that he had put personal friendship before the best interests of his country. Churchill told Harrod ‘I know nothing which in any way contradicts Mr. Baruch’s statement’, and regretted to Baruch that ‘you should have been troubled with this travesty of the truth.’¹²³ The offending remark was excluded from the biography.¹²⁴ But a cable from Churchill to Attlee dated 19 March 1946 confirms that, even if Keynes overstated the ‘personal friendship’ element of the story,¹²⁵ Baruch had certainly been persuaded not to testify as a result of the former prime minister’s intervention:

I have had long talks with Mr. Baruch and you can tell the Chancellor of the Exchequer that I do not think he will take any action against the loan. This does not mean that his view about it has changed but he considers the Russian situation makes it essential that our countries should stand together. He is of course in very full agreement with me on that.

Indeed, Baruch had even suggested ‘that he might urge that the loan should be interest-free as a gesture of unity’; although, as Churchill pointed out, this was unlikely to have any impact on the outcome.¹²⁶ The day after sending this telegram, Churchill boarded the *Queen Mary* for the voyage home.

Conclusion

Even by the time that Churchill returned to England, the loan was not out of the Congressional woods. It did not pass the Senate until May (by 46 votes to 34) or the House of Representatives until July (by 219-155). Gardner points out that although these looked like comfortable majorities, the true balance of forces was revealed by

voting on hostile amendments, some of which were defeated only narrowly.¹²⁷ It is impossible to quantify the number of votes that Churchill's public and private interventions had swung. But the loan needed all the help it could get, and he certainly did have an impact on the legislators. As Frank Fellows, the Congressman for the third district of Maine wrote to him in 1949, 'It was realization that the best of all that is Britain is represented in you which prompted my tearing up and discarding a speech prepared in opposition to the loan, and my vote in favour of it.'¹²⁸ Moreover, Keynes, upon his own return from America in 1946, wrote that when he had arrived there at the beginning of March, he had been informed on good authority that British opponents of the loan had been canvassing against it in the USA and with Americans in London. 'This was having quite a serious effect. It was, however, largely overcome by the firmness with which Mr. Winston Churchill at every opportunity, public and private, took up the opposite line. ... I am sure this had a great effect in many quarters.'¹²⁹

It cannot be conclusively proven that it was Churchill's interventions that saved the loan. Their impact cannot be separated from the other factors at work: in particular, Truman administration officials such as Will Clayton also deserve a great deal of credit for their efforts on Capitol Hill. Nevertheless, some historians have underrated Churchill's contribution. It is unfair to suggest, as Ramsden does, that Churchill 'felt no great obligation to be helpful in return' for the practical assistance that the British government gave him during his visit. The evidence given for this assertion is that Churchill declined the British Embassy's request that he see a Congressman who had been 'of great help to the British authorities in connection with the British economic situation after the war and with the loan'.¹³⁰ Yet, quite apart from help he had given to

the loan's cause through his public comments and (indirectly) through his Fulton speech, his intercession with Baruch and his efforts at the embassy dinner in Washington more than made up for this. Nor is it true that he used informal and personal links to obtain briefings from home in preference to official channels. On the contrary, the close and friendly nature of his collaboration with the Attlee government is remarkable; he was not at all 'semi-detached'.¹³¹ Of course, it could be said that he was under a moral obligation to give this help, as, to a considerable extent, he was merely undoing the damage done by his own speech on the loan in the Commons. Nevertheless, his American trip helped inaugurate not merely a bipartisan British foreign policy, but, at least for a brief moment, a bipartisan external economic policy too.

These two areas were, of course, closely related to one another. Given the obvious link between external economic policy and grand strategy, it is no surprise that many of the Conservative and Labour politicians who were sceptical about the loan were also doubtful about the 'iron curtain' speech.¹³² Beaverbrook was hostile to Churchill's remarks; Amery, without having any illusions about the Russians, thought it wrong to urge a British alliance with the USA.¹³³ Furthermore, the convergence of opinion on the loan between the Labour and Conservative leaders was matched by a surprising amount of agreement between dissidents in the two parties. For example, in March 1946 Amery, who was shortly to publish a book on the loan agreements, discussed the issue of Bretton Woods with the left-wing economist Thomas Balogh. (Balogh had previously helped inspire Boothby, as well as Labour critics of the new organisations.)¹³⁴ Amery noted, 'He confirmed my point of view which relieved me of the necessity of anything like far-reaching corrections.'¹³⁵

During 1946, the Tory economic imperialists failed to capitalise on the surge of support represented by the anti-loan vote of the previous December. In April, it was drawn to Churchill's attention that the EIA had been approaching Conservative constituency associations with a view to organising meetings under the auspices of an 'Empire Unity Campaign', of which Amery was the president. Although the campaign's promoters professed not to be attacking the loan, its advertised list of speakers included several MPs who had voted against it, as well as some who had abstained. The campaign aimed to make 'a great feature of resistance [*sic*] to any attempt to eliminate Imperial Preference'. Churchill discussed the matter with the Shadow Cabinet, and then informed the Party Chairman that 'we should deprecate any active campaign at the present time, especially while the American Loan is going through. However, of course, the subject is one on which Members of the Party must be free to express their own opinion.'¹³⁶ The campaign made little impact on party's economic policy. Amery noted in his diary in November: 'Boothby brought rather a depressing account of the Party's Finance Committee which he said is drifting back hard to multilateralism and all the rest of it.'¹³⁷ (Even Amery himself had started to push a more equivocal line, probably on tactical grounds, whilst nonetheless briefing Senator Taft with arguments against the loan agreement.)¹³⁸ Churchill's hands-off attitude was therefore no doubt wise. If it appeared that the campaign would do no great harm, there was no point in needlessly provoking its proponents.

A concern to avoid antagonising the economic imperialists may also help explain the arguments in favour of the loan that he did *not* make during his US visit. At the point of the Tory leader's return to Britain, Roy Harrod sent him a copy of a pamphlet he

had written from the multilateralist perspective. Harrod wrote: ‘How I wished when I read your wise and magnificent speeches in the United States, that you had felt able to insert something on this topic. It would have strengthened your argument for Anglo-American co-operation in a way that would not have given offence to most Americans.’¹³⁹ In fact, it is doubtful that the Republican waverers to whom, in particular, Churchill wanted to appeal, would have been convinced by a more forthright advocacy of the article VII agenda. But it may also be that, in pressing the case for the loan, he did not want to take more risks with his own parliamentary supporters than was strictly necessary. Halifax had speculated previously to Eden that Churchill was prone to attach too much weight to the power of the imperial preference lobby, as represented by Beaverbrook, Bracken and Hudson: ‘I have always thought that after changing his party twice he was much less sure of himself in domestic politics than those of us who remained where we began, and he has therefore all along exaggerated the strength of the Conservative Right Wing.’¹⁴⁰ There may well have been an element of truth in this. It is notable that whilst continuing to insist privately to Americans that he was ‘a free trader’, he put up a defence, albeit a limited and conditional one, of the very imperial preference system in which he claimed not to believe.¹⁴¹ In November 1946, he called on the government to repeat its assurances, made at the time of the loan agreement, that Britain was not committed to the abolition of preferences irrespective of the tariff concessions that might be made by the USA. It struck him as unlikely, he said, that a Republican Congress would allow tariff cuts sufficiently generous to call into question ‘even as a matter of discussion, the comparatively small, modest preference duties which have been built up in the British Commonwealth of Nations, which have become part of our supreme common

life and which are more important to us as symbols of our indissoluble union than for their commercial advantages, which are, none the less, considerable.’¹⁴²

Ironically, by trimming his sails in this way, Churchill put himself fairly close to the Labour government’s position on international trade. During the Geneva tariff talks of 1947, Stafford Cripps emerged as the stubborn defender of imperial preference, not for its own sake but because he felt that the concessions offered by the USA were insufficient to purchase the system’s elimination.¹⁴³ This coincidence of attitude did not mean that Churchill ceased to attack the government on international economic issues. Indeed, he alleged that the government was ‘living upon the American dole’ and squandering the loan ‘with profligate rapidity’.¹⁴⁴ Nor should one exaggerate the continuity of policy on such issues between the Labour administration and the Conservative one that in due course succeeded it in 1951.¹⁴⁵ Nevertheless, at least whilst the Tories remained in opposition, the differences within the parties on these questions were at least as significant as those between them. Churchill’s views overlapped with, and in some cases even anticipated, those of his socialist opponents. In 1947, with Britain’s economic situation deteriorating, he emerged, surprisingly, as an early advocate of increased austerity.¹⁴⁶ Moreover, as crisis loomed that August, he was keen to remind the public of his previous scepticism about early sterling convertibility.¹⁴⁷ Amery wrote in his diary that ‘Even Winston now, in a clever speech at Blenheim, is beginning to disclaim acceptance of the loan terms.’¹⁴⁸ This may have been wishful thinking, or at least over-interpretation. Nevertheless, when the government soon after suspended its short-lived convertibility experiment (and thus abrogated the loan conditions) Churchill could make some claim to have shown foresight.

But could he really claim vindication over his attitude? In the wake of the convertibility crisis, Cuthbert Headlam MP (who had loyally abstained in the original Commons vote) wrote in his diary that Boothby ‘has been right about this American loan from the beginning’.¹⁴⁹ Doubtless Headlam was not the only Conservative to feel that way. Rather than inaugurating a period of reconstruction, it seemed, the Anglo-American financial agreement really had been an ‘economic Munich’ – a desperate attempt to buy time that merely made the catastrophe, when it inevitably came, even worse. This necessarily implied that Churchill’s original attitude had been incorrect, not least in his strong advocacy of the deal in the United States.

It would be wrong to reach such a conclusion, however. The Munich analogy was misleading – there was no equivalence between the Truman administration and the Third Reich. Moreover, as regards the conditions of the loan, not all of them were as damaging as the convertibility requirement. The Bretton Woods exchange-rate regime, far from causing savage deflation as had been feared, has generally been credited as a major contribution to the prosperity of the post-war era. Nor did the commercial policy aspect of the loan deal lead to the demise of British agriculture, which remained, in fact, excessively protected. It was true, as Keynes acknowledged, that imperial preference was now ruled out ‘as a serious, substantial policy for the future’.¹⁵⁰ However, the system’s advocates had always exaggerated its potential; and at any rate, it was not now abolished, but continued to exist until Britain entered the European Economic Community in the 1970s.¹⁵¹ Nor did the agreement mean the end of the Sterling Area. But, all this said, the fundamental reason that Churchill was right to favour the loan was that there was no other realistic option. As he put it himself, in

a letter to Roy Harrod in December 1945, ‘what a disaster it would be if we, in our present state of economic weakness, had a protracted economic quarrel with the United States’.¹⁵² According to Macmillan, Churchill supported the loan ‘partly because he believed strongly in Anglo-American co-operation ... and partly because he was sufficiently practical to be confident that if anything went seriously wrong another arrangement would no doubt have to be made.’¹⁵³ In time, the Marshall Plan justified Churchill’s observation, made in a different context, that the Americans could always be relied upon to do the right thing, once they had exhausted the alternatives.

However, the loan episode undoubtedly demonstrated the deficiencies of Churchill’s leadership of the Opposition. It would be hard to disagree with the *Spectator*’s verdict that the rebellion of December 1945 had been a ‘sorry and demoralising farce’;¹⁵⁴ and for this, he himself bore a strong measure of responsibility. The decision to abstain may have been unavoidable, although (perhaps equally inevitably) he failed to make a convincing case for it in the Commons. But had he not, in the previous months, been negligent and uninspired in his own duties, his MPs might have been more inclined to follow his advice when the moment demanded.

Of course, given the shock of the recent election defeat, it is hardly surprising that he was not at the top of his form in the last months of 1945. In the words of Rab Butler, ‘you can’t expect a man who has been leading a country through the most victorious war in history and has then suddenly been turned out of office to be entirely immune from a certain degree of sulkiness about the situation.’¹⁵⁵ Moreover, it is doubtless to Churchill’s credit that he was happier in his ‘world statesman’ role than in his more

partisan one. His ability to appear ‘above party’ paid dividends during his United States trip, and was a crucial factor in the success of his campaign there on behalf of the loan, which more than compensated for his previous failings. By lending assistance to the Attlee government at this vital moment, he revived, during Britain’s ‘financial Dunkirk’, the spirit and the ethos of the original.

¹ Donald Moggridge (ed.), *The Collected Writings of John Maynard Keynes Vol. XXIV: Activities 1944-1946: The Transition to Peace*, Macmillan, London and Basingstoke, 1979, p. 410.

² Nigel Nicolson (ed.), *Harold Nicolson: Diaries and Letters 1945-1962*, Book of the Month Club, London and Glasgow, 1968, pp. 32-3 (diary entry for 10 Aug. 1945, repeating an account given to Nicolson by Robin Maugham who had visited Churchill in Downing Street on 26 July.)

³ Paul Addison, *Churchill on the Home Front 1900-1955*, Jonathan Cape, London, 1992, p. 389. Similarly, see J.D. Hoffman, *The Conservative Party in opposition 1945-51*, MacGibbon and Kee, London, 1964, p. 231.

⁴ Martin Gilbert, *Winston S. Churchill Vol. VIII: Never Despair 1945-1965*, Heinemann, London, 1988, pp. 182-3, 191-3, 210.

⁵ Henry Pelling, *Winston Churchill*, Macmillan, London and Basingstoke, 1974, p. 566; Roy Jenkins, *Churchill*, Macmillan, London, 2001, p. 812.

⁶ Richard N. Gardner, *Sterling-Dollar Diplomacy in Current Perspective: The Origins and Prospects of Our International Economic Order*, Columbia University Press, New York, 1980, pp. 238-9, 249 and n. 3. See also pp. 227, 230, 235.

⁷ John Ramsden, *Man of the Century: Winston Churchill and His Legend Since 1945*, HarperCollins, London, 2002, pp. 165-6, 169. See also John Ramsden, ‘Mr. Churchill goes to Fulton’, in James W. Muller (ed.), *Churchill’s ‘Iron Curtain’ Speech Fifty Years Later*, University of Missouri Press, Columbia and London, 1999, pp. 15-47. Other works which make passing reference to the episode include Henry B. Ryan, ‘A New Look at Churchill’s “Iron Curtain” Speech’, *The Historical Journal*, 22 (1979), pp. 895-920, at p. 912, Fraser J. Harbutt, *The Iron Curtain: Churchill, America and the*

Origins of the Cold War, Oxford University Press, New York and Oxford, 1986, pp. 168, 278, and Francis Beckett, *Clem Attlee*, Richard Cohen Books, London, 1997, pp. 225-6.

⁸ See Richard Toye, *The Labour Party and the Planned Economy, 1931-1951*, Royal Historical Society, London, 2003, Ch. 7.

⁹ Gardner, *Sterling-Dollar Diplomacy*, pp. 25, 33-4; L.S. Pressnell, *External Economic Policy Since the War Vol. I: The Post-War Financial Settlement*, HMSO, London, 1986, pp. 130-4.

¹⁰ Robert Rhodes James, *Bob Boothby: A Portrait*, Hodder and Stoughton, London, 1991, pp. 319-27.

¹¹ Winston Churchill, *The People's Rights*, Jonathan Cape, London, 1970 (originally published 1909), p. 113.

¹² Addison, *Churchill*, pp. 300, 304-6, 310.

¹³ Pressnell, *External Economic Policy*, pp. 5-7, 372, 387-9.

¹⁴ Under the scheme, only the dollar would be pegged to gold, and other currencies would in turn be pegged to the dollar, subject to adjustment in specified circumstances, thus avoiding the anarchy of competitive devaluation. As Richard Law pointed out in 1945, 'The objection to the Gold Standard is not an objection to gold per se. The objection is to the mechanism by which the Gold Standard was operated between 1925 and 1931.' Toye, *Labour Party*, p. 164; Richard Law, 'What the Loan Does Not Mean', *Daily Telegraph*, 17 Dec. 1945.

¹⁵ Pressnell, *External Economic Policy*, p. 132.

¹⁶ Ben Pimlott (ed.), *The Second World War Diary of Hugh Dalton 1940-45*, London, Jonathan Cape, 1986, pp. 577-9 (entry for 8 April 1943).

¹⁷ John Morton Blum, *From the Morgenthau Diaries: Years of War 1941-1945*, Houghton Mifflin Company, Boston, 1967, p. 368. See also David Stafford, *Roosevelt and Churchill: Men of Secrets*, London, Little, Brown, 1999, p. 267.

¹⁸ Warren F. Kimball (ed.), *Churchill and Roosevelt: the Complete Correspondence III. Alliance Declining February 1944 – April 1945*, Princeton University Press, Princeton New Jersey, 1984, p. 577; Winston S. Churchill, *The Second World War Vol. VI: Triumph and Tragedy*, Cassell & Co. Ltd., London 1954, p. 378.

¹⁹ Moggridge, *Collected Writings XXIV*, pp. 209-303 (quotation at pp. 302-3). For Churchill's account, see Martin Gilbert, *Winston S. Churchill: Volume VII: Road to Victory 1941-1945*, Heinemann, London, 1986, p. 1282.

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- ²⁰ Eden diary, 24 May 1945, cited in Robert Rhodes James, *Anthony Eden*, Weidenfeld and Nicolson, London, 1986, p. 295.
- ²¹ Susan Howson and Donald Moggridge (eds.), *The Collected Papers of James Meade Vol. IV: The Cabinet Office Diary 1944-46*, London, Unwin Hyman, 1990, p. 98 (entry for 25 June 1945); R.F. Harrod, *The Prof: A Personal Memoir of Lord Cherwell*, London, Macmillan, p. 252.
- ²² Cadogan diary, 20 Aug. 1945, Cadogan Papers ACAD 1/15, Churchill College, Cambridge.
- ²³ Leo Amery diary, 27 Aug. 1945, Leo Amery Papers, 293, Churchill College, Cambridge.
- ²⁴ Parliamentary Debates, House of Commons, 5th Series, Vol. 413, 24 Aug. 1945, cols. 957-8.
- ²⁵ Hugh Dalton, *High Tide and After: Memoirs 1945-1960*, London, Frederick Muller, 1962, pp. 74-5.
- ²⁶ 'Information and comments from London embassy on commercial policy discussions', 26 Sept. 1945, Frederick M. Vinson Papers, Box 166, consulted on microfilm at the Harry S. Truman Library, Independence, Missouri.
- ²⁷ Amery diary 11 Sept. 45, Amery papers, 293.
- ²⁸ See, for example, C.V.R. Thompson, 'Keynes Hope: unblock sterling', *Daily Express*, 21 Sept. 1945 and C.V.R. Thompson, 'Keep Empire Going – It's Worth It', *Daily Express*, 24 Sept. 1945. Thompson (an *Express* correspondent based in New York), was, however, willing to grant that Keynes, in spite of his apparent acquiescence in American designs, 'has also become quite tough in combating the impression that Britain is a worn-out nation': C.V.R. Thompson 'American firms are asking: What about our British orders?', *Daily Express*, 22 Sept. 1945.
- ²⁹ For this episode, and for further information on Leo Amery's post-1945 career, see Wm. Roger Louis, 'Leo Amery and the Post-War World, 1945-55', *Journal of Imperial and Commonwealth History* Vol. 30 No. 3, Sept. 2002, pp. 71-90.
- ³⁰ Amery diary 16 Oct. 1945, Amery papers, 293.
- ³¹ Amery diary 22 Nov 1945, Amery papers, 293.
- ³² Cmnd. 6708, *Financial Agreement Between the Governments of the United States and the United Kingdom*, 6 Dec. 1945; Cmnd. 6709, *Proposals for Consideration by an International Conference on Trade and Employment*, 6 Dec. 1945; see also Gardner, *Sterling-Dollar Diplomacy*, pp. 213-221.
- ³³ Halifax to Churchill 3 Dec. 1945, Churchill Papers, CHUR2/227/20-22, Churchill College, Cambridge.
- ³⁴ Parliamentary Debates, House of Commons, 5th Series, Vol. 416, 6 Dec. 1945, col. 2670.

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- ³⁵ Churchill to Halifax (telegram) 12 Dec. 1945, Churchill papers, CHUR 2/227/13.
- ³⁶ James Stuart to Churchill, 19 Dec. 1945, Churchill papers, CHUR 2/2.
- ³⁷ Patrick Buchan-Hepburn to James Stuart 11 Dec. 1945, Lord Hailes Papers 2/5, Churchill College, Cambridge.
- ³⁸ 'Loan Agreement opposed: Labour MPs' Two Motions', *The Times*, 11 Dec. 1945.
- ³⁹ 'Conservative's criticism of U.S. Loan Terms', *The Times*, 10 Dec. 1945; 'Criticism of the U.S. Loan: E.I.A. Says Repayment "Unlikely"' and 'Loan Agreement opposed: Labour MPs' Two Motions', *The Times*, 11 Dec. 1945. In the event, the Speaker did not allow amendments and the motion went to a straight vote: Hoffman, *Conservative Party in Opposition*, p. 230.
- ⁴⁰ Lord Woolton to Churchill, 10 Dec. 1945, Churchill papers, CHUR 2/142.
- ⁴¹ Harold Macmillan, *Tides of Fortune 1945-1955*, London, Macmillan, 1969, p. 77.
- ⁴² Oliver Lyttelton, Notes for Meeting on Bretton Woods', 10 Dec. 1945, Chandos Papers, CHAN II 4/17/iv/202-4, Churchill College, Cambridge.
- ⁴³ 'The Washington Agreement', *Financial Times*, 7 Dec. 1945, copy attached to 'E.G.' (possibly Elizabeth Gilliat, one of Churchill's secretaries) to Churchill, 7 Dec. 1945, Churchill papers, CHUR 2/2.
- ⁴⁴ Macmillan, *Tides of Fortune*, p. 77.
- ⁴⁵ 'Debate on Loan Opens To-day: Opposition Among Conservatives: Mr. Churchill's Talks', *The Times*, 12 Dec. 1945. No minutes were kept of the meeting. See Consultative Committee agenda, 11 Dec. 1945, LCC 1/1/1, Conservative Party archive, Bodleian Library, Oxford.
- ⁴⁶ Hugh Dalton diary 14 Dec. 1945, Hugh Dalton papers I/33, British Library of Political and Economic Science; see also Dalton, *High Tide and After*, pp. 87-8.
- ⁴⁷ Macmillan, *Tides of Fortune*, p. 77.
- ⁴⁸ Harry Crookshank diary, entry for 11 Dec. 1945, Crookshank Papers, MS.Eng.Hist.d.361, Bodleian Library, Oxford.
- ⁴⁹ Amery diary, 12 Dec 1945, Amery papers, 293.
- ⁵⁰ The Earl of Birkenhead, *Halifax: The Life of Lord Halifax*, Hamish Hamilton, London, 1965, pp. 556-7. For Halifax's anger, see also William Clark, *From Three Worlds: Memoirs*, Sidgwick and Jackson, London, 1986, p. 41.

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- ⁵¹ Halifax to John Maynard Keynes, 25 Jan. 1946 (with marginal note by Keynes), Keynes papers L/46/65-9, King's College, Cambridge.
- ⁵² Crookshank diary, 12 Dec. 1945.
- ⁵³ According to Boothby, 'shortly before the debate, Churchill said to me: "I make no complaint of what you propose to do, because I know it is the result of sincere convictions, long held. But I must warn you that I shall advise the Opposition to abstain."' Lord Boothby, *Recollections of a Rebel*, Hutchinson, London, 1978, p. 203.
- ⁵⁴ It should be noted that no minutes of the backbench 1922 Committee are extant for this period.
- ⁵⁵ R.H. Turton to Churchill, 15 Dec. 1945, Churchill papers 2/2.
- ⁵⁶ David Carlton, *Anthony Eden: A Biography*, Allen Lane, London, 1981, p. 259 [check pp. in hbk].
- ⁵⁷ Turton to Churchill, 15 Dec. 1945, Churchill papers 2/2.
- ⁵⁸ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 12 Dec. 1945, cols. 444-5.
- ⁵⁹ 'Tories Not To Vote On Loan Agreement', *Manchester Guardian*, 13 Dec. 1945.
- ⁶⁰ Turton to Churchill, 15 Dec. 1945, Churchill papers 2/2.
- ⁶¹ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 12 Dec. 1945, cols. 455-469; also reproduced in Lord Boothby, *My Yesterday, Your Tomorrow*, Hutchinson, London, 1962, pp. 146-54.
- ⁶² Boothby, *Recollections*, p. 207; Robert Rhodes James, *Bob Boothby: A Portrait*, Hodder and Stoughton, London, 1991, p. 338.
- ⁶³ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 13 Dec. 1945, col. 642.
- ⁶⁴ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 13 Dec. 1945, cols. 675-82.
- ⁶⁵ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 12 and 13 Dec. 1945, cols. 540-49, 652-65.
- ⁶⁶ Turton to Churchill, 15 Dec. 1945, Churchill papers 2/2.
- ⁶⁷ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 13 Dec. 1945, cols. 713-4.
- ⁶⁸ Gardner, *Sterling-Dollar Diplomacy*, p. 230; Dalton, *High Tide and After*, p. 89.
- ⁶⁹ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 13 Dec. 1945, cols. 714-25.
- ⁷⁰ 'Tory Leadership and the Loan Vote', *Manchester Guardian*, 15 Dec. 1945.
- ⁷¹ 'Commons Approves Loan Agreement', *Manchester Guardian*, 14 Dec. 1945.
- ⁷² Crookshank diary, 13 Dec. 1945.

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- ⁷³ Parliamentary Debates, House of Commons, 5th Series, Vol. 417, 13 Dec. 1945, col. 727. For the more colourful details, see telegram from J.G. Winant to the President and Secretaries of State and Treasury, 14 Dec. 1945, Vinson Papers Box 149.
- ⁷⁴ ‘Abstention Not Complete’, *The Times*, 14 Dec. 1945.
- ⁷⁵ Dalton diary 14 Dec. 1945, Dalton papers I/33.
- ⁷⁶ Crookshank diary, 13 Dec. 1945. According to Boothby, Churchill briefly ‘threatened to resign’: *Recollections*, p. 207.
- ⁷⁷ Amery diary 14 Dec 1945, Amery papers, 293.
- ⁷⁸ ‘60 Tories Defy Churchill’, *Daily Herald*, 14 Dec. 1945.
- ⁷⁹ ‘Bretton Woods Will Cause Fierce Lords Battle’, *News Chronicle*, 15 Dec. 1945.
- ⁸⁰ Oliver Harvey diary, ‘Xmas 1945’, Oliver Harvey Papers, Add 56393, British Library.
- ⁸¹ Moggridge, *Collected Writings XXIV*, p. 627.
- ⁸² Parliamentary Debates House of Lords Fifth Series, Vol. 138, 17 Dec. 1945, cols. 709-718.
- ⁸³ Parliamentary Debates House of Lords Fifth Series, Vol. 138, 18 Dec. 1945, cols. 777-794; also reproduced in Moggridge, *Collected Writings XXIV*, pp. 605-624.
- ⁸⁴ Parliamentary Debates House of Lords Fifth Series, Vol. 138, 18 Dec. 1945, cols. 857-869.
- ⁸⁵ Moggridge, *Collected Writings XXIV*, p. 628.
- ⁸⁶ Parliamentary Debates House of Lords Fifth Series, Vol. 138, 18 Dec. 1945, cols. 869-882.
- ⁸⁷ Moggridge, *Collected Writings XXIV*, pp. 627-8.
- ⁸⁸ Herbert Morrison, ‘Visit to Canada and the United States, January 1946’, 21 Feb. 1946, Public Record office, Kew, London (henceforward PRO), FO 371/51632, CP(46)77.
- ⁸⁹ ‘US Surprise at British Vote on Loan’, *Daily Telegraph*, 14 Dec. 1945. For further confirmation of the importance attached to Churchill’s views, see R.H. Brand to Wilfrid Eady, 21 Mar. 1946, R.H. Brand Papers, Box 197, Bodleian Library, Oxford; and for more general reaction to the British debate, see Richard P. Hedlund, ‘Congress and the British Loan 1945-1946: A Congressional Study’, Ph.D. dissertation, University of Kentucky, 1976, p. 45.
- ⁹⁰ *Miami Daily News*, 16. Jan. 1946, quoted in Gilbert, *Never Despair*, pp. 182-3.
- ⁹¹ For example, in March the Republican Senator Homer E. Capehart suggested, perhaps somewhat mischievously, that ‘Churchill be called as a witness to the loan hearings because he told the British

Parliament that the British should have obtained better terms.’ ‘British Loan Put on Basis of Trade’, *New York Times*, 8 Mar. 1946.

⁹² Amanda Smith (ed.), *Hostage to Fortune: The Letters of Joseph P. Kennedy*, Viking, New York, pp. 622-3, 625; ‘Kennedy Backs Aid to Britain As Gift’, *New York Times*, 4 Mar. 1946.

⁹³ Jordan A. Schwarz, *The Speculator: Bernard M. Baruch in Washington, 1917-1965*, The University of North Carolina Press, Chapel Hill, 1981, pp. 480-484.

⁹⁴ Truman recalled in his memoirs that ‘Most Presidents have received more advice than they can possibly use. But Baruch is the only man to my knowledge who has built a reputation on a self-assumed unofficial status as “adviser”.’ Nevertheless, he believed that ‘Baruch enjoyed considerable esteem in the Senate.’ (Harry S. Truman, *Years of Trial and Hope 1946-1953*, Hodder and Stoughton, London, 1956, pp. 12, 8.) According to John Kenneth Galbraith, this ‘esteem’ was cultivated through cleverly deployed campaign contributions: *A Life In Our Times: Memoirs*, Andre Deutsch, London, 1981, p. 131.

⁹⁵ Harold Butler to Halifax 6 Feb. 1946, Churchill Papers, CHUR 2/227/41-4

⁹⁶ Halifax to Churchill, 8 Feb. 1946, Churchill Papers, CHUR 2/227/35-8

⁹⁷ James F. Byrnes, *All In One Lifetime*, Museum Press Ltd., London, 1960, p. 349.

⁹⁸ According to Gilbert, Churchill sent this telegram on 17 February; but, apparently, it was not relayed from Washington to London until four days later. Gilbert, *Never Despair*, pp. 191-2; PRO PREM 8/197, telegram from Washington to Foreign Office (Churchill to Attlee), 21 Feb. 1946.

⁹⁹ Dalton diary 25 Feb. 1946, Dalton papers I/33; Ramsden, *Man of the Century*, p. 169.

¹⁰⁰ PRO, PREM 8/197, telegram from Attlee to Churchill, 25 Feb. 1946, and handwritten draft of the same, n.d., with marginal comment by Dalton.

¹⁰¹ PRO, PREM 8/197, telegram from Dalton to Churchill, 28 Feb. 1946.

¹⁰² Hedlund, ‘Congress and the British Loan’, pp. 85-6. On 6 March, George Bolton, of the Bank of England, recorded some gossip that he picked up from a British embassy official: ‘Baruch is violently anti-Red and on the basis of this view apparently built up a very substantial opposition to the Loan. It is said that he has now been won over owing to the intervention of Churchill, who has seen him and denied that there is any immediate possibility of a return to power of the Conservative Party whether the Loan goes through or not.’ This was inaccurate, at least insofar as Baruch had not yet been won

over; but it does suggest a possible explanation for his subsequent change of heart. George Bolton, Savannah Conference diary, 6 Mar 1946, OV 38/13, Bank of England archive.

¹⁰³ Gilbert, *Never Despair*, pp. 194-7; *Newsweek*, 18 Mar. 1946, quoted in Pilpel, *Churchill in America*, p. 218.

¹⁰⁴ Robert Rhodes James (ed.), *Winston S. Churchill: His Complete Speeches 1897-1963 Vol. VII 1943-1949*, Chelsea House Publishers, New York, 1974, pp. 7285-7292, 7301-2.

¹⁰⁵ This paragraph owes much to Gardner, *Sterling-Dollar Diplomacy*, pp. 238-9, 249 and n. 3.

¹⁰⁶ US Congress, Senate, Committee on Banking and Currency, Anglo-American Financial Agreement, 79th Congress, Vol. 782, 1946: Statement of Henry A. Wallace, 12 Mar. 1946, p. 303. See also John Morton Blum (ed.), *The Price of Vision: The Diary of Henry A. Wallace 1942-1946*, Houghton Mifflin Company, Boston, 1973, p. 558 (entry for 12 Mar. 1946).

¹⁰⁷ 'Loans and Alliances', *Wall Street Journal*, 19 Mar. 1946

¹⁰⁸ Ramsden, *Man of the Century*, p. 167.

¹⁰⁹ 'The Attack on Mr. Churchill', *Manchester Guardian*, 16 Mar. 1946.

¹¹⁰ 'The Loan Hearings', *The Economist*, 23 Mar. 1946.

¹¹¹ The attendees were Senators Tom Connally (D), Arthur Vandenberg (R), Arthur Capper (R), Walter Franklin George (D), Wallace H. White Jr. (R), and Representatives Sam Rayburn (D), Joseph W. Martin Jr. (R), Sol Bloom (D) and Charles A. Eaton (R). See PRO PREM 8/197, J.A. Hudson, 'Mr. Churchill and the Loan', 14 Mar 1946, and attachment: 'Congressmen who attended dinner given by Lord Halifax on Sunday, 10 March, For Mr. Churchill'. In January, in London, Edward Stettinius, the former US Secretary of State, had impressed upon Churchill the importance of Vandenberg and Connally in relation to the loan. Hedlund, 'Congress and the British Loan', p. 74.

¹¹² Arthur H. Vandenberg Jr. (ed.), *The Private Papers of Senator Vandenberg*, Victor Gollancz, London, 1953, p. 230; Gardner, *Sterling-Dollar Diplomacy*, p. 239.

¹¹³ Nicolson, *Diaries*, pp. 52-3 (entry for 28 Jan. 1946).

¹¹⁴ Vandenberg, *Private Papers*, p. 219.

¹¹⁵ PRO, PREM 8/197, Hudson, 'Mr. Churchill and the Loan', 14 Mar 1946.

¹¹⁶ Churchill to Herbert Williams, 25 May 1946, Churchill papers, CHUR 2/8.

¹¹⁷ PRO, PREM 8/197, Hudson, 'Mr. Churchill and the Loan', 14 Mar 1946.

¹¹⁸ ‘Vandenberg Urges Full British Loan for “Self-Interest”’, *New York Times*, 23 Apr. 1946; Gardner, *Sterling-Dollar Diplomacy*, p. 250.

¹¹⁹ Francis Williams, *A Prime Minister Remembers: The War and Post-War Memoirs of the Rt Hon. Earl Attlee*, Heinemann, London, 1961, p. 162-5; Francis Williams, *Nothing So Strange: An Autobiography*, Cassell, London, p. 245. Churchill offered further praise of the Attlee government at a speech to the University Club in New York on 18 March. See PRO FO 371/51624, F.E. Evans to A.R.K. MacKenzie, 21 Mar. 1946.

¹²⁰ Henry Morgenthau diary, 2 and 3 March, 1946, Franklin D. Roosevelt Library, Hyde Park, New York.

¹²¹ Donald Moggridge (ed), *The Collected Writings of John Maynard Keynes Vol. XXVII: Activities 1940-1946: Shaping the Post-War World*, Macmillan, London and Basingstoke, 1980, p. 483.

¹²² Gilbert, *Never Despair*, p. 526.

¹²³ Churchill to Roy Harrod 15 Aug. 1949, Bernard Baruch to Churchill, 28 July 1949, telegram from Churchill to Baruch 12 Aug. 1949, all in Churchill papers, CHUR 2/210; Harrod to Churchill, 18 July 1949, Churchill papers, CHUR 2/163 A-B.

¹²⁴ R.F. Harrod, *The Life of John Maynard Keynes*, Macmillan, London, 1951, p. 620.

¹²⁵ It should, however, be noted that in 1947 Churchill told the Commons that he had used ‘such personal influence as I had in the United States’ to assist the loan’s passage (Gilbert, *Never Despair*, p. 210 n.3). This is of course not conclusive; but it may well be that he supported Baruch’s denial out of loyalty, or simply because, by 1949, he had himself forgotten the details of what had actually transpired.

¹²⁶ PRO, PREM 8/197, telegram from Churchill to Attlee, 19 Mar. 1946.

¹²⁷ Gardner, *Sterling-Dollar Diplomacy*, p. 252.

¹²⁸ Frank Fellows to WSC 1 April 1949, Churchill papers CHUR 2/162/187.

¹²⁹ Moggridge, *Collected Writings XXVII*, p. 483.

¹³⁰ Ramsden, *Man of the Century*, pp. 165-6.

¹³¹ *Ibid.*, p. 169.

¹³² It should, however, be pointed out that many supporters of the loan, such as Halifax, Attlee and Bevin, were nervous about the consequences of the speech, at least initially. See Birkenhead, *Halifax*, p. 559; Williams, *Nothing So Strange*, pp. 244-5.

¹³³ Anne Chisholm and Michael Davie, *Beaverbrook: A Life*, Hutchinson, London, 1992, pp. 455-6; Amery diary, 7 Mar. 1946, Amery papers, 293.

¹³⁴ Toye, *Labour Party*, p. 174.

¹³⁵ Amery diary, 9 Mar. 1946, Amery papers, 293; L.S. Amery, *The Washington Loan Agreements: A Critical Study of American Economic Foreign Policy*, MacDonald and Co., London, 1946.

¹³⁶ Ralph Assheton to Churchill, 13 Apr 1946 (enclosing E. Tatham to Wavell Wakefield, 29 Mar. 1946), and Churchill to Assheton, 19 Apr. 1946, in Churchill papers CHUR 2/5.

¹³⁷ Amery diary 26 Nov. 1946, Amery papers, 293

¹³⁸ On 19 March Amery told the American Chamber of Commerce in London that he endorsed 'the usefulness of the proposed American loan and the necessity for close economic ties with the United States', yet opposed the conditions. This, of course, was unrealistic. In May 1946, he wrote to Taft as follows: 'I note that the Administration speakers all seem to have taken it for granted that with British support the Commercial Proposals are likely to be adopted generally and that the United Kingdom at least is pledged to carrying them out. That is certainly not the view of our Government, which regards itself as committed to no more than speaking favourably in support of the proposals, but only accepting them itself if not only the United States, but the great majority of important trading countries, make concessions which in our opinion would justify concessions on our part either in respect of our tariff or in respect of preference.' This analysis was extremely acute. See "Loan O.K. - But Trade Schemes Crippling, British Commonwealth Champion Says". *Anglo-American News*, April 1946; Leo Amery to Robert A. Taft, 27 May 1946; both in Robert A Taft Papers, Box 876, Library of Congress.

¹³⁹ Roy Harrod to Churchill, 19 Mar 1946, Churchill Papers, CHUR 2/150 A; R.F. Harrod, *A Page of British Folly*, Macmillan, London, 1946.

¹⁴⁰ Birkenhead, *Halifax*, p. 557.

¹⁴¹ PRO, PREM 8/197, Hudson, 'Mr. Churchill and the Loan', 14 Mar 1946.

¹⁴² Rhodes James, *Speeches Vol. VII*, p. 7403; Gardner, *Sterling-Dollar Diplomacy*, pp. 351-2.

¹⁴³ Richard Toye, 'The Attlee government, the imperial preference system, and the creation of the GATT', *English Historical Review*, xcvi. 478 (Sept. 2003), 912-939.

¹⁴⁴ Rhodes James, *Speeches Vol. VII*, p. 7471.

¹⁴⁵ See, in particular, Neil Rollings, “‘Poor Mr. Butskell: A Short Life, Wrecked by Schizophrenia?’”, *Twentieth Century British History*, 5 (1994) pp. 183-205.

¹⁴⁶ ‘Is there any reason to suppose that the British nation would not be willing to submit to any curtailment of non-essentials in regard to imports of films and tobacco out of the American loan in order either that the loan should be expended on essentials or that it should last longer?’ (Parliamentary Debates, House of Commons, 5th series, Vol. 432, 4 Feb. 1947, col. 1572) This complicates, to a minor degree, the established picture of the Conservatives as ardent advocates of de-rationing and decontrol. See Ina Zweiniger-Bargielowska, *Austerity in Britain: Rationing, Controls, and Consumption 1939-1955*, Oxford University Press, Oxford, 2000, Chapter 5.

¹⁴⁷ Rhodes James, *Speeches Vol. VII*, pp. 7500-7506.

¹⁴⁸ Leo Amery diary, 7 Aug. 1947, Amery papers, 294.

¹⁴⁹ Stuart Ball (ed.), *Parliament and Politics in the Age of Churchill and Attlee: The Headlam Diaries 1935-1951*, Royal Historical Society, London, 1999, p. 520 (entry for 2 Sept. 1947).

¹⁵⁰ Moggridge, *Collected Writings XXIV*, p. 627.

¹⁵¹ Tim Rooth, *British protectionism and the international economy: overseas commercial policy in the 1930s*, Cambridge University Press, Cambridge, 1992, pp. 250-58, 310-11. See also R.H. Brand to Lord Altrincham, 27 Feb. 1946, R. H. Brand papers Box 197, Bodleian Library, Oxford.

¹⁵² Churchill to Harrod, 18 Dec. 1945, quoted in H. Riley-Smith, *The Papers of Sir Roy Harrod*, Riley-Smith Booksellers, Swanton Abbott, Norfolk, n.d. but 1982, p. 77.

¹⁵³ Macmillan, *Tides of Fortune*, p. 77.

¹⁵⁴ ‘A Spectator’s Notebook’, *The Spectator*, 21 Dec. 1945.

¹⁵⁵ ‘Rab interview’, n.d., p. 3, CRD/2/53/1, Conservative Party archive.