
NOTES

*Economists and Points Rationing in the Second World War*¹

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Points rationing was introduced to Britain in 1941; the first scheme, which became effective in June, applied to clothing and footwear, and a second, covering certain foodstuffs, came in during December.² Points rationing was undoubtedly one of the "big home front successes of the war",³ and marked a complete change in the direction of British rationing policy. The rationing schemes prepared during the thirties and introduced during the early months of the war, had involved the registration of consumers with individual retailers and the exchange of coupons for a guaranteed ration of basic foodstuffs. This system, modelled in large part on the measures introduced during the first world war, was ideally suited to staple commodities consumed on a regular basis by the great mass of the population.⁴ Under points rationing, however, consumers were issued with an alternative money; a specified number of 'coupon points' which they could 'spend' within a limited period on items from a group of rationed goods. Within the group, each item had a point value and customers had to surrender both coupons and money at the time of purchase. Goods

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² See W.K. HANCOCK and M.M. GOWING, *British War Economy*, History of the Second World War, United Kingdom Civil Series (1949), pp. 330-3.

³ *Ibid.*, p. 332

⁴ See R.J. HAMMOND, *Food: Volume I: The Growth of Policy*, History of the Second World War, United Kingdom Civil Series (1951), chs. 1 and 3. (hereafter *Food I*).

covered by the points system could be purchased only if the customer had the required number of points.

Points rationing has a wider administrative significance since it was one of the outstanding examples of the influence of economists on wartime economic policy. At the outbreak of war, the British civil service, which had been badly undermanned throughout much of the interwar period, began to recruit temporary administrators from the universities, business and the professions to cope with the massively increased volume of decision-taking in the wartime economy. Significant numbers of economists and economic statisticians were drawn into government, and, whilst many were employed on 'Administrative Class' work, many went into specialist advisory roles, particularly in the Cabinet Offices,⁵ the Ministry of Economic Warfare,⁶ and, from 1941, the Ministry of Aircraft Production.⁷ The wider aspects of the recruitment and deployment of economists are beyond the scope of this study, but the introduction of points rationing does show the way economists can bring their technical skills to bear in policy-making and how these skills set them apart from the 'intelligent layman'. Lionel Robbins has noted that the techniques of economic analysis were especially relevant to the problems of rationing,⁸ and it was certainly an episode which engaged many leading British economists of the interwar and postwar generations.

The whole question of the use of economic advice by government does have relevance beyond the narrow field of administration. For the historian of economic thought, the role and influence of economists in government raise fundamental issues about the nature of the discipline,⁹ which are now being explored in the British context.¹⁰ Moreover, controversy about the usefulness of economic advice within Whitehall has raged since the early twenties and

⁵ See D.N. CHESTER, 'The Central Machinery for Economic Policy', in D.N. CHESTER, ed. *Lessons of the British War Economy* (1951). (Hereafter, *Lessons*). A more personal view can be found in LIONEL ROBBINS, *Autobiography of an Economist* (1971), chs. 8 and 9.

⁶ W.N. MEDLICOTT, *The Economic Blockade: Volume I, History of the Second World War, United Kingdom Civil Series* (1952), pp. 13-15, 63-70, 463-7; PHILLIP M. WILLIAMS, *Hugh Gaitskell: A Political Biography* (1979), pp. 93-106.

⁷ ELY DEVONS, *Planning in Practice: Essays on Aircraft Planning in Wartime* (1950).

⁸ *Autobiography*, p. 181.

⁹ A.W. COATS, 'The Role of Economists in Government', *History of Economic Thought Newsletter*, X (1973).

¹⁰ See SUSAN HOWSON and DONALD WINCH, *The Economic Advisory Council* (1977); A.W. COATS, 'The Changing Role of Economists in the Scottish Office since 1960', *Public Administration*, LVI (1978); ALAN BOOTH and A.W. COATS, 'Some War-time Observations on the Role of the Economist in Government', *Oxford Economic Papers*, XXXII (1980).

shows little sign of diminishing in intensity sixty years on.¹¹ Whilst this paper would not claim to answer current arguments about the optimum size and location of economic advisory sections within government, it will try to ascertain whether economists can make a distinctive contribution to policy-making, to what extent a sense of 'professional identity' is essential, and what forces are most important in making professional advice acceptable to the government machine.

I

The starting point for the study of points rationing is the summer of 1940 when the war economy began to show signs of severe strain. On the supply side, the output of the consumer goods industries was falling. The shortage of shipping space reduced the raw material imports for these industries, and the Board of Trade accelerated the decline by limiting the volume of goods which could be supplied to the home market, and then concentrating this reduced production into 'nucleus' firms in order to release labour, factories and storage space for the war effort.¹² Significantly, among the most active proponents of this policy were younger Oxbridge economists who had been most dissatisfied with the appeasement policy and the slow pace of rearmament during the late thirties.¹³ The reduction in the supplies of consumer goods inevitably meant that something would have to be done fairly quickly about their distribution.

There was also disquiet about the failure of munitions output to rise rapidly enough.¹⁴ The first world war response would have been to pump more money into armaments, but these methods had led to demand-pull inflation, especially after 1915, and it appeared, at least to some of the economists in 1940, that inflationary demand was the major economic problem to be faced.

Of course, Keynes had anticipated the problem with his arguments for increased taxation, compulsory saving and a more aggressive borrowing programme to enable the government to finance war production without inflation.¹⁵ Keynes argued that financial policy ought to be framed to provide stability to the whole economy rather than to satisfy peacetime principles of

¹¹ The literature is voluminous, but the reader is directed to THOMAS BALOGH, 'The Apotheosis of the Dilettante: The Establishment of Mandarins', in Hugh Thomas, ed. *Crisis in the Civil Service* (1968) and M.M. POSTAN, 'A Plague of Economists' in *Fact and Relevance: Essays on Historical Method* (Cambridge, 1971).

¹² G.C. ALLEN, 'The Concentration of Production Policy', in *Lessons*.

¹³ Interview with LORD KAHN.

¹⁴ HANCOCK and GOWING, *British War Economy*, pp. 215-6.

¹⁵ In 'Paying for the War' published in *The Times* in October 1939, and subsequently revised as *How to Pay for the War* (1940). See DONALD MOGGRIDGE, ed. *The Collected Writings of John Maynard Keynes: Volume XXII: Activities 1939-1945: Internal War Finance* (1978), ch 2. (Hereafter JMK XXII).

public finance. Whilst these arguments had little immediate impact on the Treasury, they influenced some of the economists and statisticians who had been collected in the War Cabinet Offices.¹⁶ Lionel Robbins, a recent recruit, wrote to Keynes (who was still at Gordon Square) agreeing that consumption should be limited, but argued that rationing was more politically acceptable than forced saving.¹⁷ He suggested that individual expenditure should be rationed by issuing to each consumer a number of coupons without which no money could be exchanged; in effect, a points rationing system.

After Keynes had been brought into the Treasury this correspondence was taken up once more, with Keynes warning that the Treasury held a powerful, complacent group, opposed to any further action to restrain inflationary forces.¹⁸ To the Cabinet Office economists this attitude was dangerous, especially after James Meade, another recent recruit, circulated a paper in October 1940 arguing that if government tried to finance war production by a further inflationary boost, there was a real danger of an inflationary spiral which would be impossible to control.¹⁹ Other members of the Cabinet Office economic staff were equally worried. Evan Durbin had suggested that a paper be prepared to bring Ministers face to face with urgent economic problems, and top of his list was budgetary policy to control inflation;²⁰ Robbins produced a similar paper a few weeks later.²¹ Meade's paper had certainly called for extensions of rationing to limit consumption as part of an anti-inflationary policy, and this theme was taken up in further papers on consumer rationing.²²

This analysis was given greater force by the first results of Meade's primary responsibility, work on the national accounts. Early in 1940, the Stamp Survey²³ asked for an investigation of national resources available for the war effort.²⁴ Austin Robinson, who had been one of the two original members of the Cabinet office corps of economists (the Central Economic Information Service, or CEIS) engaged James Meade to undertake this work when Meade

¹⁶ ROBBINS, in his correspondence with Keynes, cited below, and JAMES MEADE in a paper 'Principles of War Finance' in PRO T230/12, 25 Oct. 1940.

¹⁷ PRO T230/118, ROBBINS to KEYNES, 25 June 1940.

¹⁸ *Ibid.* KEYNES to ROBBINS, 20 Nov. 1940.

¹⁹ 'The Principles of War Finance', PRO T230/12, 25 Oct. 1940.

²⁰ PRO T230/12, 14 Oct. 1940.

²¹ PRO T230/12, 'Notes on Future Activities', intld. LCR, n.d. but Oct./Nov. 1940.

²² PRO T230/12, 'The Principles of Rationing', Miss M.F.W. JOSEPH, 25 Nov. 1940; 'The Principles of Rationing: The German Rationing of Clothing, Fuel, etc.', Miss M.F.W. JOSEPH, 3 Dec. 1940.

²³ The Survey of Financial and Economic Plans, the Stamp Survey, had been established in June 1939 to examine departmental preparations for war. Its members were LORD STAMP, HENRY CLAY and HUBERT HENDERSON.

²⁴ PRO CAB 89/9, The Work of the Survey in the First Year of War, 15 Oct. 1940.

arrived in Britain from Geneva in May 1940.²⁵ Meade interpreted this commission to mean a calculation of the national income and expenditure and produced, in August 1940, the first double-entry framework for the national accounts.²⁶ However, there were no figures in Meade's tables. At the end of the month, Austin Robinson secured the services of Richard Stone from the Ministry of Economic Warfare to help with the calculations,²⁷ and the first estimates of the national income appeared in December.²⁸ At this point Keynes, whose own estimates were of a similar order of magnitude, heard of their work.²⁹ Keynes had by this time been admitted to the Treasury team preparing the 1941 budget,³⁰ and began to use the Meade-Stone calculations in framing budgetary policy.³¹ As is well-known, the essence of Keynes's arguments was that since aggregate demand was rising as a result of falling unemployment and increasing overtime, and the volume of goods for civilian consumption was falling, there was a potential 'inflationary gap' which would have to be closed by increased taxation, higher borrowing or inflation.³²

The Cabinet Office economists, now called the Economic Section, began to press for the closing of this gap with a range of policies which included extensions of rationing. As will be seen, the Section tried unsuccessfully to persuade the Ministry of Food, which was one of the main suppliers of consumption goods, to extend rationing, but the economists had an alternative source of influence which was ultimately to prove decisive. When the CEIS was split to form the Central Statistical Office and the Economic Section, the Economic Section was charged with briefing the Lord President's Committee which had become the most important Cabinet Committee in home affairs with the appointment of Sir John Anderson (later Lord Waverley) as Lord President.³³ Anderson had been the leading civil servant of his day, and was a man who both trusted expert advisers and knew how to deploy them.³⁴ The Section also had friends in high administrative places; both Norman Brook, at that time personal assistant to the Lord President, and Edward Bridges, Secret-

²⁵ R.F. HARROD, *The Life of John Maynard Keynes* (Pelican edn. 1972), p. 593.

²⁶ Interview with J.E. MEADE. The papers are to be found in PRO T230/96.

²⁷ Interviews with SIR RICHARD STONE and SIR AUSTIN ROBINSON.

²⁸ J.R.N. STONE, 'The Use and Development of the National Income and Expenditure Estimates', in *Lessons*, p. 84.

²⁹ RICHARD STONE, 'Keynes, Political Arithmetic and Econometrics', *Proceedings of the British Academy*

³⁰ *JMK XXII*, p. 254.

³¹ *Ibid.* pp. 255-65.

³² *Ibid.* ch. 4, *passim*.

³³ HANCOCK and GOWING, *British War Economy*, p. 219.

³⁴ See the assessment of the American Ambassador, JOHN WINANT, quoted in JOHN W. WHEELER-BENNETT, *John Anderson, Viscount Waverley* (1962), p. 271.

ary to the Cabinet were favourably disposed to the work of the Section.³⁵ For their part, the economists had been frustrated by their ambivalent position before their attachment to Anderson and positively relished the chance to do a useful job in supplying papers for the Lord President.³⁶

The Economic Section made most progress in their bid to counter the inflationary forces in the economy through the Lord President's Committee. In March 1941, they presented a paper on 'The Problem of Price Stabilisation'.³⁷ Using the analysis of the gap, the economists warned that there was a real danger of a 'vicious spiral' of inflation and recalled the social tensions created by inflationary forces during the first world war. Significantly, the Economic Section explicitly condemned the measures known to be under consideration at that time in the Ministry of Food, which had become the major opponent of further rationing, by means of a simple lesson in price theory.

To attempt to remedy such [an inflationary] process by the mere imposition of maximum price orders raises as many problems as it solves. Even if the prices of every commodity bought and sold were rigidly fixed, the operation of [inflationary] forces already described would not be suspended. They would merely manifest themselves in other ways.

- (a) There would be disorderly and inequitable distribution. The fixing of maximum prices cannot, in itself, balance demand and supply; and, if demand is not allowed to push prices upwards, all that will happen will be queues and shop shortages and the general exhaustion of stocks.
- (b) The effect of general price fixing, unaccompanied by other measures would be no less serious on production. To fix prices regardless of costs might easily bring it about that many commodities will cease to be produced. If costs rise above money prices so that the producer is making losses, then he will discontinue production.

The framework of national income accounts and the proposition that prices had been fixed below the market clearing price are simple ideas, but they were extremely powerful analytical tools at a time when shop shortages and low stock levels were causing very great concern in the food and clothing industries.³⁸ These dangers could be avoided by (a) increases in taxation, (b) increases in voluntary saving, and (c) extensions of rationing. The Section favoured a combination of all three.

We may expect increased direct taxation; we may hope for voluntary saving. But it is highly improbable that, *by themselves*, these two methods will be adequate sufficiently to reduce consumption. The problem is so vast that if the situation is to be handled successfully, recourse must also be had to a very considerable extension of rationing.

³⁵ See JAMES MEADE'S War Diary (held at the Library of the London School of Economics and Political Science), entry for 26 Feb. 1945.

³⁶ ROBBINS, *Autobiography*, pp. 169-75.

³⁷ PRO CAB 71/3, Memorandum dated 26 Mch. 1941.

³⁸ HANCOCK and GOWING, *British War Economy*, p. 330.

What detailed forms these extensions might take — whether there should be sectional expenditure ration or some form of the German point system — is a matter for discussion. But the position cannot be regarded as safe until in some way or another there exist direct limitations on the demand for the main range of commodities of common use.

In the light of these arguments, and against a wider background of fear about inflationary forces in the economy, the Lord President's Committee accepted the need for extensions of rationing.³⁹ Indeed, the case had been enormously strengthened one month earlier when the Committee had approved the Board of Trade's clothes rationing scheme on a points basis.⁴⁰ However, the form of rationing had not been decided, and the Section was invited to submit a paper to the Lord President's Committee on rationing methods. They argued that with the possibility of rationing a further 2,000 items, the established technique was inappropriate. They considered the respective merits of expenditure and points rationing, and came down broadly in favour of the former, especially for miscellaneous foodstuffs.⁴¹ This recommendation was made in full knowledge of opposition within the Ministry of Food because it was believed that only expenditure rationing was sufficiently flexible to cope with the very broad extensions contemplated.⁴²

Thus, the economists had secured a major victory in their bid to dampen inflationary tendencies in the economy. In retrospect, their understanding of aggregate economic forces was much better than their perception of the administrative difficulties in preparing a workable rationing scheme. The Section was right to insist that a flexible system was needed if rationing was to be extended, but they backed the wrong flexible horse. Surprisingly, they opted for an expenditure ration even though the Board of Trade was very close to finalising its points scheme for clothing. In the evolution of clothes rationing temporary economists seconded from the universities had a very important part to play, so it is to the Board of Trade that attention must now be turned.

II

In the first year of war, rationing had been regarded in the Board of Trade as an evil to be avoided at all costs.⁴³ However, the rise in demand in the autumn of 1940 threatened disruption in the distribution of consumer goods. From a very early stage, officials in the Board of Trade had been concerned to restrict

³⁹ PRO CAB 71/2, LP(41) 13th Meeting, 4 April 1941.

⁴⁰ PRO CAB 71/2, LP(41) 5th Meeting, 18 Feb. 1941.

⁴¹ PRO CAB 71/3, LP(41)53 'The Extension of Rationing', 1 April 1941.

⁴² PRO T230/119, Briefing Paper for the Lord President, 'General Rationing', n.d.

⁴³ E.L. HARGREAVES and M.M. GOWING, *Civil Industry and Trade*, History of the Second World War, United Kingdom Civil Series (1952), p. 303.

the production of consumer goods for the domestic market for two reasons; to release resources for munitions production, and to encourage exports which were given a high priority in the early phases of the war.⁴⁴ These goals were achieved through the Limitation of Supply Orders, which forced wholesalers to register with the Board and prevented them from selling more than a fixed proportion of their prewar annual sales to the domestic market.⁴⁵ The Order was applied first to cotton cloth as raw cotton imports were a burden on exchange reserves when exports were sluggish.⁴⁶ No-one was allowed to supply more than 75 per cent of their prewar volume to the home market, in the hope that some of the difference might have gone to export.⁴⁷ The Order was extended to a range of goods in June 1940, and the quota of prewar sales permitted to go to the home market was progressively squeezed.⁴⁸ The Board next took steps to see that this reduced output was produced as efficiently as possible. Rather than have several factories running below full capacity, production was 'concentrated' into 'nucleus' firms which could run more efficiently. Economists were heavily involved in the planning and running of these schemes.⁴⁹

As a result of these policies and the reduction of imports after the Germans gained control of much of Europe's coastline, the flow of consumer goods to the domestic market was heavily restricted. Stocks were falling and local shortages were becoming apparent as demand was high. In November 1940, the Board of Trade was forced to consider rationing. The first proposal came from an administrator, G.L. Watkinson, and involved quantity rations for about a dozen of the goods covered by the Limitation of Supply Orders. As the Board of Trade did not police its industries as closely as, for example, the Ministry of Food, the registration of consumers with retailers was inappropriate, so control of the scheme was to be applied before the goods reached the shops.⁵⁰

Like Anderson, Watkinson gave encouragement and assistance to temporaries with specialist expertise, and his proposals went to two Cambridge economists, Richard Kahn and Brian Reddaway, working as temporary administrators in the Board of Trade.⁵¹ Kahn had three objections to Watkinson's scheme; there was no freedom of choice, the scheme was unwieldy since it required coupons for each article, and it would not be possible, in Kahn's view,

⁴⁴ HANCOCK and GOWING, *British War Economy*, p. 117.

⁴⁵ HARGREAVES and GOWING, *Civil Industry*, p. 96.

⁴⁶ *Ibid.* p. 93.

⁴⁷ Interview with LORD KAHN.

⁴⁸ HARGREAVES and GOWING, *Civil Industry*, ch. 5.

⁴⁹ Interviews with Professor G.C. ALLEN and LORD KAHN.

⁵⁰ PRO BT64/1112, 'Rationing of Consumer Goods', Memorandum by G.L. WATKINSON, 25 Nov. 1940.

⁵¹ KAHN was in the Industrial Supplies Department and Reddaway in the Statistics Division.

to set the ration low levels. Kahn, who had taken note of the German points system described by Hans Singer in his series of articles in the *Economic Journal* on the German war economy,⁵² proposed a point system for Britain.⁵³ It would be flexible, could be extended to any number of articles, and could accommodate the purchasing patterns of the rich by making supplementary points available for purchase at a high premium.⁵⁴

Reddaway agreed that rationing was essential, as stocks were falling very rapidly, but argued for the type of broad approach combining heavier taxation, compulsory saving, and expenditure rationing favoured by the Economic Section.⁵⁵ He argued that unless a rationing system were very broad in scope, expenditure would shift to the unrationed sector, creating shortages in one item after another. In a second memorandum, he proposed to limit expenditure on all goods except food, drink, tobacco, fuel and newspapers to five shillings per week.⁵⁶

None of these proposals was developed in any great detail. At this stage, the economists were acting, in civil service parlance, as 'ideas merchants', providing alternative ways of looking at problems. The economists were able to play this role because they had a completely different approach and network of contacts from the ordinary administrator. The different approach came from their professional expertise and preoccupations, and their contacts came from prewar academic and social relationships. Thus, Kahn and members of the Economic Section met to compare notes on rationing during December 1940, when the thinking of both groups was at very formative stage.⁵⁷ However, the economists had such a decisive influence on the course of rationing policy because some of their number, particularly in the Board of Trade, were much more than mere 'ideas merchants'. All the Board of Trade temporaries have described their wartime work as 'administrative' rather than 'economic',⁵⁸ and Reddaway, in particular, became heavily involved in the detailed preparation of the clothes

⁵² H.W. SINGER, 'The German Economy in the Light of German Economic Periodicals', *Economic Journal*, L (1940). This article was followed by a series (all with the same title) appearing in the *Economic Journal*. Also influential was M. KALECKI, 'A Scheme for the Curtailment of Production', *Bulletin of the Oxford University Institute of Statistics*, II (1940).

⁵³ PRO BT64/1112, 'Rationing of Consumer Goods', Memorandum dated 4 Dec. 1940.

⁵⁴ G.C. ALLEN, in his comment on WATKINSON and KAHN's papers, suggested that the purchase of supplementary points would not be permissible. PRO BT64/1112, ALLEN to WATKINSON, 7 Dec. 1940.

⁵⁵ PRO BT64/1112, 'Rationing of Consumer Goods', Memorandum dated 6 Dec. 1940.

⁵⁶ PRO BT64/1112, 'Alternative Rationing Proposals', 10 Dec. 1940.

⁵⁷ PRO T230/12, 'Board of Trade Proposals for Consumer Rationing', 10 Dec. 1940.

⁵⁸ Interviews with G.C. ALLEN, D.P.T. JAY, LORD KAHN, W.B. REDDAWAY.

ration. In this search for a practical scheme, the economists were particularly successful because they were prepared to accept second and third best solutions to secure a workable measure. It soon became clear, for instance, that stocks of clothing were dangerously low and that some form of ration was urgently required. Thus, the broad expenditure ration had to be dropped, and a simple scheme had to be prepared for clothing alone.⁵⁹ The question for clothes rationing was, therefore, whether to base it on quantity or price. The natural inclination of the economist, being aware of differences in qualities and of the wider framework of inflationary pressure of demand, was to go for rationing by price. Reddaway attempted to devise such a scheme, but the administrative problems were insuperable.⁶⁰ A quantity method was adopted under which garments made up from woven cloth required a number of points equal to those required for the cloth used, on average, to make them, and other garments (footwear, knitted garments, fur garments) were given a pointing which was considered 'fair' in relation to made-up garments.⁶¹ Reddaway was closely involved in the task of fixing point values, and revealed a further aspect of the economist's comparative advantage in administration. Equipped only with the rudimentary information from the Census of Production and a 1938 household budget inquiry reluctantly provided by the Ministry of Labour, it was possible to construct a rough approximation of the number of garments of each type bought by the average man or woman in peacetime, which were then reduced to give a level of reasonable wartime consumption.⁶² This calculation gave the coupon value of the ration to be allowed to each consumer, the point price of each item of clothing being fixed by the amount of cloth needed for its manufacture.⁶³ The aggregate coupon value was then compared with the probable coupon value of the supplies which could be forthcoming, to see whether the ration could probably be met.⁶⁴ These calculations were of necessity both hastily improvised and based upon what in peacetime would be considered

⁵⁹ HARGREAVES and GOWING, *Civil Industry*, p. 306.

⁶⁰ The most important point is the need to control traders by rules which ensure that they have to give up the same coupons for the garment which they buy or the cloth used to make it, as they took when they made their sale: it is impossible to arrange for this by prescribing that coupons with £1 on them will only buy (say) garments to the value of 70p. when used by a retailer to buy from a wholesaler — in particular this would mean that traders who charged low prices in terms of money would not have enough coupons to replace their stock. The discussion is in Reddaway, 'Rationing' in *Lessons*, pp. 192-6.

⁶¹ Letter from Professor REDDAWAY to the author, 19 May 1981.

⁶² Interview with W.B. REDDAWAY.

⁶³ Interview with W.B. REDDAWAY.

⁶⁴ I am very grateful to Professor REDDAWAY for his patient attempts to explain to me the intricacies of clothes rationing.

hopelessly inadequate data. The Board of Trade was very fortunate to find in Reddaway someone with mathematical expertise, familiarity with the Census of Production, and an economist's ability to estimate orders of magnitude when detailed information was lacking.⁶⁵

There were other occasions when objections raised on professional economic grounds had to be withdrawn. It was not easy to deal with the 'maker up', who took cloth from the weaver and made it up into garments to pass to the retailer for sale. With the system of passing back coupons to replenish stocks (an essential part of any rationing scheme), it was necessary to equate the points for a made-up garment to that of the constituent cloth. The main problem, as Reddaway pointed out, was that there was no clear relationship between the quantity of cloth and the number of goods produced, so there would be a disincentive to make large sizes, for example.⁶⁶ Nevertheless, administrative machinery overrode theoretical objections, the coupon value of the garments was fixed in relation to a rough average of the cloth required for making it, and the maker up who specialised in out-sizes was dealt with by a series of *ad hoc* measures.⁶⁷

These administrative difficulties were thrashed out in January and February 1941. In mid-February, the plans went to the Lord President's Committee for sanction, and were approved in principle.⁶⁸ In May, the Committee saw the full scheme and decided to recommend acceptance to the Cabinet.⁶⁹ But, Churchill was very doubtful about the impact of any rationing scheme on civilian morale, an opinion shared by his adviser, Professor Lindemann.⁷⁰ The economists and statisticians working for Lindemann in the Prime Minister's Statistical Section agreed, arguing that clothes rationing would make only limited savings in resources, and that supplies of clothing were almost sufficient to make rationing inappropriate. The Board of Trade's case had been made primarily in terms of import savings as it was not common at this time for administrators to see manpower and factory space as the most important constraints on production. However, both Kahn and Reddaway had foreseen the problems and were able, at the last minute, to put in a quantitative estimate for the manpower savings which had been mentioned only in qualitative

⁶⁵ It is worth noting that REDDAWAY's first job in the wartime civil service was in the Ministry of Information answering queries about production and involving extensive use of the Census of Production.

⁶⁶ PRO BT64/1112, 'The Control of the Makers-Up', Memorandum dated 10 Feb. 1941.

⁶⁷ HARGREAVES and GOWING, *Civil Industry*, p. 311.

⁶⁸ PRO CAB 71/2, LP (41) 5th Meeting, 18 Feb. 1941.

⁶⁹ PRO CAB 71/2, LP (41) 19th Meeting, 13 May 1941.

⁷⁰ R. F. HARROD, *The Prof.: A Personal Memoir of Lord Cherwell* (1959), pp. 209-10.

terms.⁷¹ The President of the Board of fought very strongly for the measure,⁷² and, at the second attempt, it was accepted by Cabinet.⁷³

III

These decisions in the Lord President's Committee and Cabinet were increasing pressure on the Ministry of Food to extend rationing beyond the basic food schemes introduced in the early months of war.⁷⁴ In the winter of 1940/41, a more potent stimulus was the same combination of high demand and reduced imports already noted. As the official historian has remarked, "Rations were low, the meat ration uncertain, and pressure on unrationed foods, themselves scarce, was intensified".⁷⁵ The food situation and the inflationary forces in the economy provoked the first of many outside attempts to cajole the Ministry into extending rationing. Robbins of the Economic Section and Harrod of the PMSS (Lindemann, apparently being much more favourably disposed to the orderly rationing of miscellaneous foodstuffs than he was towards clothing four months later⁷⁶), with Treasury backing, met officials of the Ministry in London to discuss points and expenditure rationing, but had no success.⁷⁷ Accordingly, the economists turned to the Lord President's Committee as a vehicle to obtain a more rational policy, and won approval for further rationing.⁷⁸

⁷¹ Interview with W. B. REDDAWAY.

⁷² Interview with LORD KAHN.

⁷³ It is rather surprising to note that official acceptance by the Cabinet was given only on 27 May 1941, since the scheme was launched on 1 June, and all sorts of publicity arrangements had been made before the official approval. However, it was impossible to delay any longer, because the initial coupons for the clothes rationing scheme were in fact the *margarine* coupons in the *food* ration book which was coming to the end of its life. In fact, this seemingly minor administrative detail was decisive; when the opponents of clothes rationing lost the argument to have the scheme accepted in principle, they sought to have its introduction delayed. They capitulated, however, when it was argued that any delay would mean that there would be no coupons available in people's hands. I am grateful to PROFESSOR REDDAWAY for this point.

⁷⁴ It is worth pointing out that wartime administrators distinguished between three categories of food. First, there were the foods such as bread and potatoes which were necessary to provide staple calories and which could be rationed only *in extremis*. Secondly, there were the foods normally consumed by everyone and which the Ministry of Food had already rationed. Lastly, there were the miscellaneous foods, the inessential parts of the diet, which were absorbed into the points ration.

⁷⁵ R. J. HAMMOND, *Food: Volume II: Studies in Wartime Administration and Control*, History of the Second World War, United Kingdom Civil Series (1956), p. 572. (Hereafter, *Food II*).

⁷⁶ HARROD, *The Prof.*, pp. 210-12.

⁷⁷ PRO T230/13, EC (S) (41) 3rd Meeting, 22 Jan. 1941.

⁷⁸ PRO CAB 71/2, LP (41) 13th Meeting, 4 April 1941.

However, the Ministry of Food remained obdurate. Its own Committee on Unrationed Foodstuffs began by looking, not at rationing, but at ways of improving the distribution of unrationed foods.⁷⁹ But the attitude of the Lord President's Committee and the further deterioration in food supplies provoked new initiatives.⁸⁰ The most important was a scheme of registration without rationing. Customers would register with retailers for certain foods, and, as this allowed more rational distribution, they could be guaranteed a minimum quantity. Orthodox rationing could be extended to other foods, but in groups rather than to single items. In effect, this was the proposal put before Robbins and Harrod in January.

The dissatisfaction felt in the Economic Section increased when the first scheme of registration ran into extreme difficulty within three weeks of its introduction.⁸¹ The Minister of Food was invited to submit proposals for *rationing* to the Lord President's Committee,⁸² and, when these appeared as group ration, the Economic Section was asked to help the Ministry devise a different way of dealing with miscellaneous foods.⁸³ There followed intensive discussions between representatives of the Economic Section, Board of Trade and Ministry of Food to prepare a paper on the application of *points* rationing to miscellaneous foods. Quite clearly, the difficulties with expenditure rationing had been passed from the Board of Trade to Robbins. The resulting paper reaffirmed the now familiar reasons for extending rationing and recognised the impossibility of copying the standard pattern of rationing to items where tastes differed and where total supply was very small.⁸⁴ They produced an outline for a points ration applying to approximately thirty new items, including some which were not in short supply to act as a buffer. The group did try to allay some of the prejudices against points in the Ministry of Food by noting that *overall* supply and demand could be matched by the size of the aggregate allocation of points, and, within that framework, relative points prices could be varied to prevent runs on individual items. The paper was against registration and a guarantee to supply individual foods, both of which were essential ingredients of rationing as it was conceived in the Ministry of Food.

Having made some progress with the London officials of the Ministry, Robbins and Meade went to Colwyn Bay which had become the home of the Commodity Divisions. Over one weekend, they tried unsuccessfully to persuade the Commodity Controllers of the soundness of the points system. The main difficulty was the function of points as an alternative price system. This

⁷⁹ *Food I*, p. 195.

⁸⁰ *Food II*, p. 574.

⁸¹ *Food II*, pp. 574-9.

⁸² PRO CAB 71/2, LP (41) 20th Meeting, 16 May 1941.

⁸³ PRO CAB 71/2, LP (41) 25th Meeting, 20 June 1941.

⁸⁴ PRO T230/120, 'Notes on Possible Extensions of Food Rationing', 7 July 1941.

notion, taken from the most basic part of an economics course, and which was understood by temporary and permanent civil servants in both the Board of Trade and the London offices of the Ministry of Food, was beyond the 'practical men' of business in the Commodity Divisions at Colwyn Bay. As Robbins noted in his report of the meetings:

I do not think that there can be much doubt, that if one has not spent much time teaching first year students the elementary theory of the functions of price, the general idea behind the point system is harder to understand than the idea underlying orthodox rationing. To us it seems so simple that if more points are spent on one commodity, there is less to spend on others, and that, if the point price of anything goes up, that article must necessarily be less attractive than commodities whose point price has gone down or remained constant. But we become unduly impatient with our fellow men, if we suppose that these things are obvious. Indeed, we do wrong, I am afraid, to assume that even in the mind of quite competent business men there is any clear view of the connection in normal times between money prices and the absence of shortages and queues for particular commodities. The idea that there is always scarcity, unless all prices are zero, and that the appearance of shortages and queues is due, not to human wickedness, but to the imposition of maximum prices lower than those at which supply and demand are equal, are, I am afraid, ideas which it will take more than two wars to become acclimatized in the intellectual atmosphere of even the ablest non-professional circles.⁸⁵

He was right to lay such emphasis on basic differences of approach; the Commodity Directors thought the points approach hopelessly impracticable and never really came to terms with this alternative concept of rationing, as will be seen below. The more immediate reaction was a paper from Lord Woolton, the Minister of Food, to the Lord President's Committee proposing further group rationing schemes, even though Woolton and some of his closest advisers now favoured points.⁸⁶ He could not go against the unanimous rejection of points by his commodity officials, on whom the administration of the scheme would fall.⁸⁷

The pressure for points came also from the economists within the Ministry of Food, but their experiences were little different from those of Robbins and Meade. In the face of intransigence on the part of the Commodity Directors, points was becoming a cause of *professional* concern for economists. Ruth Cohen, who had joined the Statistics and Economics Department of the Minis-

⁸⁵ PRO T230/120, ROBBINS TO JEWKES, 'Visit to Colwyn Bay', n.d.

⁸⁶ PRO T230/120, ROBBINS TO JEWKES, 26 Aug. 1941.

⁸⁷ The Commodity Directors believed that it would be impossible to get the points price sufficiently 'right' to eliminate shortages; that only by registration of consumers could supplies be directed efficiently; and that the scheme would have numerous teething troubles. PRO T230/119, G. R. P. WALL (Ministry of Food) to ROBBINS, 14 Aug. 1941, covering a Ministry memorandum 'Practical Implications of a Point System of Rationing'.

try in 1939, wrote to Robbins, giving her experiences as a member of the internal Committee on Rationing:

I had intended to refrain from traffic with the enemy about rationing. But a pause for thought on Sunday and a dreadful meeting of our Committee have been more than I can bear... Each time someone (by someone I mean Eric Nash or myself) mentioned the variation in consumption of these foods from family to family, the point was pushed aside by the mention of some horror which would occur only if the scheme were working badly.

I am in a state of disgust. We talk nonsense, we have returned, in everything but name, to the 'derisory ration' argument, we are swayed by the merest breeze of opinion... And we continuously talk of the masses of shipping available, and plan to make everything unimportant in such ample supply that we cannot be attacked for not rationing it.⁸⁸

Eric Nash had been an agricultural economist in the Ministry of Agriculture before the war, and obviously shared Ruth Cohen's analysis. 'Professional reinforcement' was also supplied by Richard Kahn from the Board of Trade, with details of the workings of points rationing for clothing and suggestions of methods of countering the Commodity Directors.⁸⁹ Personal friendships, unofficial discussions,⁹⁰ and a sense of professional identity and confidence helped the economists to develop a distinct approach.

This sense of professional solidarity carried the Economic Section forward, despite the hardening attitudes in Colwyn Bay. The Ministry of Food's proposal for group rationing before the Lord President's Committee in July was criticised at much greater length than earlier versions had been. In addition to the customary complaints that the group system denied freedom of consumer choice in an area where demand was far from uniform, the Section now marshalled a much broader range of economic and political arguments: the Ministry would be giving an obligation to supply a precise amount of a narrow range of foods, and that obligation might be difficult to fulfill with possibly damaging effects on morale; there would have to be a delay before a group scheme could be introduced to allow the Ministry to develop its controls over the supply and distribution of each commodity, against a background of growing shortages of imported foods; a group scheme still could not cope with those commodities in such short supply that only a 'derisory ration' could be allowed;⁹¹ shopping habits would be altered because consumers would inevitably register with larger

⁸⁸ PRO T230/119, RUTH COHEN TO ROBBINS, 22 July 1941.

⁸⁹ PRO T230/119, R. F. KAHN TO RUTH COHEN, c. ROBBINS, 2 July 1941.

⁹⁰ The prewar Cambridge economists met regularly for informal discussions in the early years of the war. Interviews with LORD KAHN and SIR AUSTIN ROBINSON.

⁹¹ PRO T230/120, 'Note on the Interim Report of the Food Committee on Rationing', n.d.

shops carrying a wider range of goods (and compromising a government policy of supporting the small shopkeeper).⁹²

After another attempt to produce a workable points scheme with Ministry of Food officials in London,⁹³ Robbins again went to Colwyn Bay. Once more, he met considerable opposition from the Commodity Directors, and their list of objections to and major difficulties with the points scheme had grown longer.⁹⁴ A report by the Ministry of Food suggests that enthusiasm for points was very low, as it contained fourteen foolscap pages with scarcely one unambiguously favourable reaction.⁹⁵ However, the final word on the Ministry of Food's objections must be given to Martin Roseveare of the Ministry's Rationing Division. In a memorandum on the *machinery* of the points scheme, ostensibly avoiding comment on the merits and demerits of the system, he observed:

I am appalled both at my desk and in the shop at the frightfulness of what we have envisaged so far:

- (a) the number of points and coupons involved is so colossal;
- (b) the cutting itself is dreadful to contemplate;
- (c) the counting is even worse;
- (d) the exchanging is bad;
- (e) the use of paper is prodigious;
- (f) the printing and distribution are nightmares, and, lastly,
- (g) the fact that it misuses, initially at any rate, a book which was built for other purposes altogether is unfortunate and would be confusing to the customer.⁹⁶

His final statement is civil service understatement *par excellence*: "I think these practical difficulties might well wreck the best devised scheme". To be fair to Roseveare, his job was concerned with the administration of rationing. He had to ensure that any scheme ran smoothly, and, thus, to see that questions of this nature were raised. He was a tremendous success in running the food points scheme after its introduction and was brought back to the Ministry of Food when bread was put on the ration.⁹⁷

However, the weight of support for points gradually wore down resistance among the Commodity Directors. The Lord President's Committee rejected the Ministry of Food's proposal to extend registration, and pronounced again in favour of rationing by points.⁹⁸ This final defeat brought even the Commodity Directors to compromise. Austin Robinson was sent from the Economic

⁹² PRO T230/120, ROBBINS to JEWKES, 26 Aug. 1941.

⁹³ PRO T230/120, 'Notes on a Draft Points Rationing Scheme', n.d.

⁹⁴ PRO T230/119, ROBBINS to WALL, 12 Aug. 1941.

⁹⁵ PRO T230/119, 'Report from the Food Rationing Division' covered by WALL to ROBBINS, 14 Aug. 1941.

⁹⁶ *Ibid.* 'Memorandum on Machinery'.

⁹⁷ Letters to the author from SIR AUSTIN ROBINSON and W. B. REDDAWAY.

⁹⁸ PRO CAB 71/2, LP (41) 40th Meeting, 29 Aug. 1941.

Section to Colwyn Bay and reported that the staff was making every effort to make the system work,⁹⁹ and he helped prepare the experimental scheme for canned fish, meat and beans which came before the Lord President's Committee in September.¹⁰⁰ Additional foods were subsequently added to the points ration, and the relative coupon values were frequently changed with a view to balancing supply and demand as Robbins had argued after his first visit to Colwyn Bay. Of course, with a quantity ration for clothing, the Board of Trade could not use this device for keeping supply and demand in balance.¹⁰¹ Thus, at the consumer-retailer end, points rationing of food was a considerable success; further back the distributive chain, the Commodity directors were able in the summer of 1942 to reimpose control over the flow of goods to wholesalers and thence to retailers. Thus, coupon money did not work exactly as planned.¹⁰²

IV

What conclusions can be drawn from this episode about the role of the economist in government and the distinctive skills which set economists apart from other administrators? Their influence can best be examined by asking two further questions:

(a) would policy have been different without advice from trained economists?

(b) were the economists' policies more effective than the alternatives?

There can be little doubt that economists *did* radically alter the nature of rationing. The food ration is the more outstanding example, since it was introduced against the wishes of some of the Ministry of Food's own advisers. Without the economists' intervention, food rationing would have developed with further group rations and registrations. The points scheme favoured by the economists gave the consumer more choice, broke the idea of the ration as a guarantee of specific foods, and did away with the need for consumer registration. These are considerable changes. Clothes rationing is

⁹⁹ PRO T230/120, ROBINSON TO ROBBINS, 23 Sept. 1941.

¹⁰⁰ PRO CAB 71/2, LP (41) 41st Meeting, 5 Sept. 1941.

¹⁰¹ The clothes ration was kept in reasonable balance mainly by adjustments on the *supply* side, most of which were produced 'automatically' by the suppliers of clothing reacting to the pattern of coupon demand. The one really important exception was the raising in 1943 of the points price of footwear because it appeared that nothing could be done on the supply side to avoid shortages. This adjustment was possible because the coupon value was clearly unrelated to yardages of cloth, and because producers of footwear were 'registered persons' who had to surrender their coupons to the Board of Trade.

¹⁰² *Food I*, p. 205.

rather more difficult, since the administrators and the economists worked together from the first, and were quick to see the force of each other's arguments. Watkinson's original suggestion for individual rationing and Reddaway's paper on value rationing were both quickly abandoned in favour of the scheme of points rationing.¹⁰³ Nevertheless, the emphasis on flexibility came first from the economists, to be taken up by the administrators who, in turn, made many positive contributions to the eventual shape of the scheme.¹⁰⁴

The answer to the second question must also be in the affirmative, though the evidence must again rest heavily on food rationing. The Ministry of Food's own alternatives to points in 1941 all failed to get beyond the drawing board or ran into problems soon after introduction.¹⁰⁵ Moreover, these failures resulted from causes predicted by the economists in their briefs for the Lord President.¹⁰⁶ In the circumstances, it was essential to cut consumer demand and share out supplies equitably for those items in short and uncertain supply, and points rationing offered the best chance of success.

If this assessment is correct, there can be little doubt that economists have distinct skills to offer the machinery of government. Their first comparative advantage is uncontroversial (at least, to economists); they have a better understanding of economic relationships than non-specialists. Economists were at the forefront of anti-inflationary policy in early 1941; they had a view about the importance of manpower shortages long before administrators; they had a clearer view of the way policies inter-related; the economists at the Board of Trade and in the Cabinet Offices saw, long before any administrator, that lower imports, the concentration of civilian industry and falling unemployment together made rationing inevitable. Moreover, these insights and forecasts were made without a massive statistical organisation. Keynes' calculations of the national income were 'back of the envelope' estimates, and Reddaway's proposals for the point values for clothes rationing were largely based on use of the family's pattern book; the work by Stone on the national income was undertaken with the aid of a single hand calculator; and the other statistical enquiries undertaken during 1940 and 1941 were very basic. Yet, the policy proposals were successful. Keynesian financial policy did control inflation;¹⁰⁷ clothes rationing was successful, as was the food points ration. Thus, the economists' greater understanding of trends in the economy, backed by whatever

¹⁰³ Interview with W. B. REDDAWAY.

¹⁰⁴ Interviews with LORD KAHN and W. B. REDDAWAY.

¹⁰⁵ *Food II*, ch 33.

¹⁰⁶ The problems which befell the jams and preserves scheme of registration, for example, were exactly those which the Section had said would happen to foodstuffs for which demand was not uniform.

¹⁰⁷ R. F. SAYERS, *Financial Policy, 1939-1945*, History of the Second World War, United Kingdom Civil Series (1956), pp. 92-3.

er statistics are available, put them in the vanguard of supporters of the extension of rationing.¹⁰⁸

The second comparative advantage the economists enjoy results from their specific training. There can be little doubt that the economists took a different view of rationing as a result of their professional interest in macroeconomics and price theory. Admittedly, the concepts used were very basic, first year macro-analysis and price theory, but they were beyond the comprehension of the practical men of the Ministry of Food. It was precisely because the Commodity Directors did not understand the general principles involved that they expressed their objections in terms of specific administrative difficulties. If one has specific practical objections drawn from a set of general principles, one can combine the two in discussion. If one lacks such a framework or theory, one cannot do more than conduct the argument on 'practical' grounds. Such were the tactic of the Colwyn Bay men.

However, even basic theory is a double-edged sword. In policy-making, theory is useful only if it can be applied. In this context, the Economic Section's lengthy adherence to the expenditure ration seems to have been misplaced. The expenditure ration was not administratively workable,¹⁰⁸ even though it was the neatest theoretical solution to a problem of general excess demand causing specific shortages in a wide range of goods for which tastes and consumption patterns differed.

At a broader level, the economists had a different order of priorities (or set of prejudices) from non-specialists. If the Ministry of Food's *sine qua non* for a rationing scheme was control of the retailer, that of the economists was freedom of choice; it lay at the root of their objections to group rations and extensions of individual rationing. As Reddaway notes:

It is almost inevitable that an economist's instinct should be in favour of a small number of group rations covering as wide a field as practicable. The advantages of consumers' freedom of choice are an essential part of his stock in trade, and he is not much impressed by the boggy of disputes about the rival claims on the family's ration of father's tobacco, mother's cosmetics or Johnny's sweets, because precisely the same problem arises with the family's money in peacetime. He is, on the other hand, much impressed by the disadvantages of an unorganized market in which supply is chronically below the level of demand, and is well aware that many commodities can only be covered by rationing if the principle is accepted of having very broad groups preferably including some major item(s) in general demand; variations in individual needs which would make a narrowly based scheme indefensible can be tolerated in a wider one, where they will to some extent even out and where the remaining inequity can be regarded as preferable to the alternative of a general scramble.¹⁰⁹

But even this overriding preference for consumer freedom was of limited value. The market for consumer goods during the war was manifestly imper-

¹⁰⁸ W. B. REDDAWAY, 'Rationing' in *Lessons*, p. 185.

¹⁰⁹ *Ibid.* pp. 184-5.

fect; there were massive shortages. The consumer's ability to purchase unrationed goods depended more on being able to find them than on income.¹¹⁰ Thus, an effective rationing scheme had to be reasonably self-contained, and backed by an allocation policy to ensure that an adequate supply of rationed goods was produced. Thus, there were great dangers in pushing consumer freedom further than the circumstances of the wartime economy would allow.

The economists involved in points rationing appear to have avoided, to a very large extent, these pitfalls which their training and expertise had opened for them. Two explanations may be offered. First, the British economists who came into government were an extraordinarily able group. Almost all were to gain chairs in the postwar period, many have been honoured for their services to their subject and to policy-making in Britain. Secondly, the fact that some of them were in 'administrative' posts and became closely involved in devising practical schemes of rationing helped to inject an awareness of administrative constraints into economists' thinking. In these ways, the economists were able to make best use of their comparative advantages.

However, this expertise was *effectively* deployed only as a result of two wider, political factors. In the first place, economists had the support of two of the most powerful Ministers on the home front. John Anderson was undoubtedly the most powerful Minister in economic affairs after his appointment as Lord President of the Council. The fact that the Economic Section was advising Anderson gave weight to their opinions within Whitehall. As one member of the Section has put it:

Anderson began to take our briefs seriously, and it got known in Whitehall that Anderson was taking our briefs seriously, and we immediately became people it was worthwhile knowing.¹¹¹

The President of the Board of Trade, Oliver Lyttleton (later Lord Chandos), was another political heavyweight who was trusted by Churchill. Like Anderson, he appreciated the value of expert advice on economic affairs and fostered the deployment of economists in his later ministerial positions.¹¹² The economists had the weight on their side. Secondly, they had a powerful *esprit de corps*; despite minor differences on tactics,¹¹³ in overall approach the economists were united and working as a single unit. The world of academic economics at the outbreak of war was relatively small. Most of those active in the universities

¹¹⁰ Interview with W. B. REDDAWAY.

¹¹¹ Interview with J. E. MEADE.

¹¹² Soon after LYTTLETON was appointed Minister of State in Cairo he called out RICHARD KAHN from the Board of Trade to act as his economic adviser. After LYTTLETON returned to Britain, he became Minister of Production, and his new Ministry also contained a strong corps of economists.

¹¹³ Note the differences between KEYNES and the Section in 1940, above nn. 17-18.

would have known one another, and these personal friendships persisted after the translation to Whitehall. There were informal meetings and discussion groups after working hours, or over lunch at the Reform Club or the National Institute of Economic and Social Research.¹¹⁴ These contacts helped cement professional unity and communicate problems throughout the network. In this way, the administrator-economists gained a wider and different set of contacts from the average generalist; the centrally-placed advisors came to understand the administrative difficulties of various theoretical models as solutions to problems. Professional unity was strength.

Thus, points rationing was a victory for theoretical presuppositions over practical objections. Where Minister and their civil servants were open to new ideas, the advice of economists was readily drawn into the decision-making process. Where points rationing threatened an established departmental view, the economists needed all the advantages of their wartime position (intellectual excellence, professional unity and the backing of powerful Ministers) to secure acceptance of their distinctive contribution.

¹¹⁴ Interviews with G. C. ALLEN, M. M. GOWING, LORD KAHN.

