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## PROBLEMS

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### *Patriots or Profiteers? British Businessmen and the First World War\**

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To historians interested in the relationships between business and society few periods are so instructive as those of war. Not only can war leave a lasting mark on businessmen and their decision making. It also focusses particularly clearly problems of social relationships which have always confronted business institutions. It is in the nature of war to evoke extremities of both socially approved and socially stigmatised business behaviour. From this viewpoint the study of the First World War is particularly important. The shock that it administered to the XIXth century sanctities of property rights, business freedom and competition was profound. Indeed, its socio-political impact on business was arguably much greater than that of the Second World War. The aspirations that it reasserted, of social solidarity, cooperative organisation and moderate profit, and the relationships it thrust into a new prominence for firms, with workers, consumers and government departments, were to be of the highest importance in the development of the modern mixed economy.

In the absence of detailed academic study our perception of business public behaviour in 1914-18 is still largely fogged by confusion and by a lack of clarity and consistency even in retrospective standards of judgement. Thus Professor Taylor claims that businessmen performed great organisational feats and that they largely ran "war socialism" for patriotic motives but also implies that they captured large areas of government for the benefit of vested interests and that, overall, they tended to profiteer. Professor Taylor can describe a whole sub-group, the shipowners, as being both profiteers and patriots. Equally sti-

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mulating but ambiguous is Professor Marwick's allusion to "the great patriotic prestige acquired by businessmen in this war of machines and industrial systems" and also to their use of "economic power to exact the highest possible terms from the community", so that the whole profiteering issue became a prime "emotional corrosive" of the period.<sup>1</sup> Given a careful definition of the terms, the assertion of a combination of patriotism and profiteering is not necessarily inconsistent; but such sweeping generalisations on business behaviour are contestable. Although the general neglect of war by economic historians is a familiar phenomenon, even those interested in the First World War have tended to ignore the specifics of business behaviour and to concentrate on macro-economic trends and policies, war taxation and overall effects.<sup>2</sup> Nor has the small but growing band of business historians repaired these deficiencies. It is a familiar point that the sample of scholarly company histories is still small and probably unrepresentative.

This article aims to pose the significant issues and outline a framework for the research that is needed. The final outcomes for firms, financial and organisational, which only emerged after the war and which are anyway extremely hard to assess, are not considered. Nor are the longer-term effects on business relationships with government and society in a wide sense. Instead, the emphasis is on the behaviour of businessmen as they reacted to the challenges of the war, on their responses to the immediate civic crisis. The article concentrates on manufacturing industry and distribution, and on commercial and political rather than labour relations aspects. In seeking to evaluate how far behaviour was "profiteering" or "patriotic", it delineates typologies of response, both between and within industries, on the use of market power, on price controls and

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<sup>1</sup> A.J.P. TAYLOR, *English History 1914-1945* (Penguin, Harmondsworth, 1977) pp. 66, 99, 114. A. MARWICK, *The Deluge, British Society and the First World War* (The Bodley Head, London, 1968) pp. 201, 123. Elsewhere we read of the "stubborn resistance" of arms firms to Government directives but also of "a wave of patriotic fervour" sustaining intervention in agriculture - G. HARDACH, *The First World War 1914-18* (Allen Lane, London, 1977) pp. 82, 126.

<sup>2</sup> A.C. PIGOU, *A Capital Levy and a Levy on War Wealth* (Humphrey Milford, Oxford, 1920); PIGOU, *The Political Economy of War* (Macmillan, London, 1921); A.F.B. BOWLEY, *Prices and Wages in the United Kingdom 1914-1920* (Humphrey Milford, Oxford, 1921; Carnegie Endowment for International Peace. Division of Economics and History. Economic and Social History of the World War. British Series. General editor, J.T. Shorwell. Hereafter, Carnegie Series); Sir JOSEPH STAMP, *Taxation during the War* (Carnegie Series, London and New Haven, 1932); J.R. HICKS, U.K. HICKS & L. ROSTAS, *The Taxation of War Wealth* (Oxford, The Clarendon Press, 1941); E. VICTOR MORGAN, *Studies in British Financial Policy 1914-1925* (Macmillan, London, 1952); A.S. MILWARD, *The Economic Effects of the Two World Wars on Britain* (Macmillan, London 1970). See also essays and bibliography in J.M. WINTER (ed.), *War and Economic Development* (Cambridge University Press, 1975).

on business effort and philanthropy. As a result a more differentiated view of the businessman at war is suggested.

The article uses a wide variety of mainly secondary sources, each of which has limitations. Government reports of the time were hindered by unsophisticated methods of social and financial investigation. Even the reports of sub-committees appointed under the Profiteering Act of 1919, despite the benefits of hindsight, could be vague about costs, pricing behaviour and profits. Of contemporary public papers only the official History of the Ministry of Munitions offered any kind of sweeping perspective within its own field.<sup>3</sup> The studies in the Carnegie series, mostly published soon after the war, ranged from the superficial through the compendious to the relatively objective and highly informed accounts of Edward Lloyd and William Beveridge.<sup>4</sup> Most contemporary accounts were subject to biases about business, ranging from the Whitehall constriptions of civil servants through the ideological prejudices of politicians, whether favourable or critical, to varying degrees of patriotic self-congratulation in the spate of publications celebrating a firm's, industry's or locality's contribution to the war effort. Nonetheless some contemporary accounts can be highly informative, for example those of Lloyd George, Christopher Addison and Tom Jones, and among ex-civil servants, Salter, Redmayne and Stamp.<sup>5</sup>

By contrast, contemporary businessmen hardly did themselves justice. Even leading spokesmen like Dudley Docker, Marcus Samuel, W.H. Lever and Alfred Mond left no accounts of their firms' activities during this period. Their speeches, as of company chairmen generally, are of some value, however, and a limited use is made of that source. Hardly any of the leading businessmen drafted into Whitehall wrote up their experiences, although they attracted much comment about themselves. However, many of the gaps can be filled from recent sources, including industrial, labour and local histories, the lesser breeds

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<sup>3</sup> *History of the Ministry of Munitions* (London 1918-22). Hereafter Ministry of Munitions.

<sup>4</sup> E.M.H. LLOYD, *Experiments in State Control at the War Office and the Ministry of Food* (Carnegie Series, Oxford, 1924). W.H. BEVERIDGE, *British Food Control* (Carnegie Series, London and New Haven, 1928). Lloyd served in the Raw Materials section of the War Office before becoming Assistant Secretary at the Ministry of Food. Beveridge went to the Ministry of Food from the Board of Trade, as second and then permanent secretary.

<sup>5</sup> DAVID LLOYD GEORGE, *War Memoirs of David Lloyd George* (Odhams Press, London, 1938). CHRISTOPHER ADDISON, *British Workshops and the War* (T. Fisher Unwin, London, 1917); *Politics from Within*, including some records of a great national effort (Herbert Jenkins, London, 1924); and *Four and a half Years - A personal diary from June 1914 to January 1919* (Hutchinson, London, 1934). R.K. MIDDLEMAS (ed.), *Thomas Jones, Whitehall Diary, Vol. I 1916-25* (O.U.P. 1968). J.A. SALTER, *Allied Shipping Control, An Experiment in International Administration* (Carnegie Series, Oxford, 1921.) Sir R.A.S. REDMAYNE, *The British Coal-Mining Industry During the War* (Carnegie Series, Oxford, 1923), STAMP, *op. cit.*

of business biography and history, and more particularly some of the more outstanding scholarly business histories.

### *Official controls, public norms*

It is important to realise how far circumstances affecting both government control and public opinion left business firms with discretion.<sup>6</sup> It is a familiar point that the evolution from "business as usual" to "war socialism" only came about because of a series of crises and even disasters: the "shell scandal"; factory discontent; political turmoil; public anger over profiteering; food and other shortages. Price and production controls spread jerkily from munitions and army provisions through engineering, steel, shipping and coal to food and consumer goods. In each case they took time to tighten: only in 1916-17 did most of them start to bite seriously. Their application and interpretation varied with time, ideological bias and administrative sophistication, as well as the perennial factor of varying market susceptibility to control. Not least, the very concept of "profiteering" remained uncertain.<sup>7</sup> There appear to have been four possible interpretations: (a) a substantial increase in profit over a pre-war "standard", (b) profit rates exceeding some general or industrial norm, (c) profits disproportionate to contributions of effort, organisation or risk, or (d) profits from excessive market power related to categories familiar from economic theory.

Price controls and Excess Profits Duty embodied the first two interpretations of profiteering, although in the case of E.P.D. (a), the notion of "war excess", came to dominate. These criteria were further qualified by the litmus tests of "necessity" — the extent to which profiteering affected vital supplies and the cost of living — and blatancy — the degree to which it offended public opinion or damaged civilian morale. This approach had administrative merits since the problems of defining pre-war "standard profits", even "reasonable" rates of return on capital under interpretation (b), were relatively mild. But critics deplored the neglect of efficiency criteria and the failure to prevent unearned or monopolistic types of profiteering under (c) and (d). Moreover, the official formulas for price controls were interpreted liberally, mainly by stretching and modifying the pre-war "standards," for reasons to be discussed. Consequently, even when price controls were most stringent average profits in the relevant

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<sup>6</sup> For a good general outline of the development of controls see MORGAN, *op. cit.* ch. 2.

<sup>7</sup> Significantly, "profiteering" only appeared in the dictionaries later and then hardly helpfully, e.g. "making or attempting to make excessive profit on the sale of necessaries during a period of scarcity, e.g. in war-time" (1935 O.E.D.). For immediate post-war discussion of the definitional problems see *Select Committee on High Prices and Profits, Reports*, Cmd. 166 and 234, 1919.

sectors probably were at least maintained in real terms whilst some companies could make large real increases, all within the letter of the official rules. Social equity and a fair share of the burdens, so official theory went, were to be secured by E.P.D., introduced in two stages in 1915 and 1917, and of course income taxation. But effective E.P.D. rates were also geared to liberal interpretations of the pre-war "standards" and much of the E.P.D. burden was delayed (and later remitted). Overall, therefore, the official framework on prices, and profits and business incomes was a loose one, certainly by the standards of later war or fully planned economies.<sup>8</sup>

Yet the great degrees of freedom left to business did not imply a neutral zone of purely technical decision-making immune from social considerations. On the contrary, there were all sorts of ways in which business was expected to co-operate well beyond the ambit of laws and formal controls. Even conformity to the rules could leave much to business discretion. Beyond them existed a realm of public and official expectations covering most areas of corporate activity. Thus Whitehall departments sought to persuade, cajole, bargain with and exhort businessmen on a wide range of issues, including the organisation of supplies, co-operative schemes with competitors, the settlement of labour disputes, the loan of technical experts. Public opinion expected firms to offer production facilities for the war effort, to avoid extravagance and to contribute generously to war charities. Not least, widespread public pressures and criticism on the profiteering issue, confirmed by the Committee on Unrest in 1917, strongly invoked restraint in the seeking of profits and personal gains.<sup>9</sup>

These public norms posed major difficulties of interpretation and application for businessmen. For example, dislike of profiteering took several forms, partly depending on ideology, although a high degree of political consensus on this issue emerged by 1917-18. Simplistic views on price-fixing and speculation often disregarded the pressures of supply and demand disparities and world-wide market movements, which could limit the options of individual firms. A firm's welfare expenditure could be criticised as extravagant and tax-evading, since it was allowable against E.P.D. yet it could also attract public approval, amplified by pragmatic and humane arguments for "sweetening"

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<sup>8</sup> The best general source for E.P.D. and its corollaries is HICKS et al., *op. cit.* For the evolution of the relevant legislation see STAMP, *op. cit.* For the operation of pre-war 'standards' in particular industries see REDMAYNE, *op. cit.*, especially pp. 64-66; G.D.H. COLE, *Labour in the Coal-Mining Industry 1914-1921* (Carnegie Series, Oxford 1923), pp. 52-5; and C.E. FAYLE, *The War and the Shipping Industry* (Carnegie Series, London and New Haven, 1927).

<sup>9</sup> The findings of the Committee were discussed by EDWIN CANNAN, 'Industrial Unrest', *Economic Journal* XXVII (1917), pp. 453-70. For the press and parliamentary pressures see LLOYD, *op. cit.*, p. 42, and, for more detail, S.J. HURWITZ, *State Intervention in Great Britain, a study of economic control and social response 1914-1919* (Columbia University Press, New York, 1949).

labour. Public encouragement of industry-wide co-operation co-existed, confusingly, with perennial suspicions of monopoly: a familiar ambivalence. It was unclear how far good performance on some criteria might atone for a poor record on others. For example, could the stigma of exceptionally high profits or personal gains be erased by outstanding factory organisation, generous philanthropy or dedicated service in Whitehall?

### *The use of market power*

The first great test was over the use of market power where controls were delayed, limited or absent throughout the war. During the first few months deliberate profiteering seems to have been most rife outside the regular trade channels, in situations where the restraints of settled loyalties and custom were lacking. Addison described "a singular collection of sharks and adventurers from all parts of the earth" (not excluding Britain) who suddenly offered their services to Whitehall as middlemen for rifles and shells. Lloyd refers to "feverish buying and selling in every item of Army clothing" as arm socks became "a favourite gambling counter in the City" and "speculators turned with relief from the slump in rubber shares to the boom in army contracts", often supported by ample bank credit. A complete stranger to the wool trade with next to no capital was authoritatively said to have made £ 150,000 in six months by speculation in yarn.<sup>10</sup> This vein of outsider speculation was to continue throughout the war. Of all categories of profiteering that by the commercial privateers seemed to be most bitterly disliked by public officials, investigative committees and indeed by ordinary businessmen.

How much deliberate profiteering there was among established manufacturers and traders during the early months is hard to assess. An initial spurt in food prices probably mainly reflected panic reactions on the part of shopkeepers and the public. The biggest price increases were of imports, affected by world supply/demand disparities, shipping bottlenecks and other overseas factors. For example, meat and flour importers found themselves sitting on stocks acquired before the war whose value sharply increased through no agency of their own, although they may sometimes have contrived part of the overall price rises. Overall, world market forces probably exerted the biggest influence. In certain trades supplying the army Whitehall's inadequate purchasing methods provided a further external twist as competitive tendering by hundreds of firms accentuated a gadarene rush for supplies, grossly inflating profits on certain raw materials.<sup>11</sup> Compared with these pressures elements of planned extortion,

<sup>10</sup> LLOYD, *op. cit.*, pp. 26, 31-2. ADDISON, *Politics from Within*, Vol. I, p. 79.

<sup>11</sup> MORGAN, *op. cit.*, pp. 36, 80, 290. *Departmental Committee on Prices*, Interim Report on Meat, Milk and Bacon, Cmd. 8358, 1916, and Reports on Bread, Flour, Wheat, Potato, Tea and Sugar, Cmd. 8443, 1917.

successful or otherwise, were probably small. They did occur, of course. A Dundee jute dealer tried to sell jute for sandbags to the War Office at three times the normal price, thereby precipitating the first war-time requisition order; a number of London coal merchants seem to have used their control of scarce supplies, also of water transport, to force up coal prices; and massive rises in steel prices are unlikely to have been wholly uncontrived.<sup>12</sup> Nonetheless it seems a reasonable hypothesis that pricing behaviour during the initial period was basically conservative and confused, cleaving to established practices of aiming at standard or customary margins over and above estimated "full costs" and reflecting prevalent assumptions of "business as usual" and of a short war. With regard to army supplies Lloyd makes the interesting point that until government purchasing was reformed in 1915-16 its sheer impersonality put a premium on habitual commercial attitudes and actually hindered the sort of appeals to businessmen's co-operativeness and patriotism which emerged later.<sup>13</sup> Insofar as prices were deliberately pushed up, then, this may have been largely because "full cost" estimates were inflated by firms "hedging" heavily against inflation. Price-fixing, where it existed, would have largely reflected "satisficing" profit policies coupled with marked, sometimes extreme, propensities to avoid risks and insure against future difficulties. In this sense neither infamy nor glory dominated the majority ground, but rather habit, anxiety and muddle.

The question of initial pricing behaviour was thrown into sharp, if not entirely typical relief in the armaments trade. For many years a small group of armament firms had been locked into a close but frequently abrasive relationship with the War Office. The latter had, somewhat inconsistently, combined a belief that armament work should be restricted to a few technically expert firms, in effect an oligopoly, with an adherence to economically orthodox ideas of non-collusion and arm's length competitive tendering. Bargaining on contracts had tended to be slow as well as tough. Such a system was utterly inadequate to supply the vast increase in demand for munitions in 1914. But there was no immediate political stimulus for reform and War Office officials were unprepared to look beyond the inner ring of initiated suppliers or to amend their aloof, almost ritualistic conduct of negotiations. There was, therefore, no pressure from Whitehall on the arms firms to be more flexible or to allow outsiders to supplement existing production. Several chairmen protested that regular arms manufacturers were being singled out for unfair criticism and sacrifices because they were so much in Whitehall's and the public eye. They also defended their right to recoup the cost of increased capacity, built in anticipation of national needs, and to make up for low returns in peace time. Ac-

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<sup>12</sup> LLOYD, *op. cit.*, pp. 40-1, ADDISON, *Four and a half Years*, pp. 69-70. For steel price trends, 1913-15, see M.S. BIRKETT, "The Iron & Steel Trades during the War", *Jnl. Royal Stat. Soc.*, Vol. LXXXIII, 1920.

<sup>13</sup> LLOYD, *op. cit.*, p. 29.

cusations of deliberate withholding of supplies to force up prices were wide of the mark. Instead, these companies were falling over themselves to obtain government contracts. In so doing they over-committed themselves and had to default on deliveries of thousands of shells. At the same time there is evidence of substantial price increases not entirely attributable to understandable allowances for inflation.<sup>14</sup>

The History of the Ministry of Munitions confirms that by late 1915 the prices conceded earlier to the armament firms were regarded as seriously excessive in Whitehall but that it took a series of extremely tough moves by government to wrest price reductions from them. These moves included evidence of much lower prices arranged with the non-arms firms by then producing shells and related products, information on lower costs in the Government's own shell factories and, not least, discreet threats to use new legal powers to examine the armament firms' own costs. Any sins were being caught up with as a result of the tough new Ministry of Munitions and widespread criticism from trade unions, cost-anxious parliamentary committees and the press. However, the evidence suggests certain differences between the firms. Critics like Addison seem to have been more suspicious of Armstrong Whitworth than some of the others. The Ministry history says that when discussions on possible price reductions started in late 1915 Armstrong Whitworth began by refusing to discuss the question whereas others were prepared to discuss it but refused to submit cost data; and that Vickers first asked for a 20% profit margin, weakly argued, whereas Hadfields only asked for 10% (and according to Addison, showed an almost ingenuous openness about their ability to make shells at much lower prices). The press evidence hints at differences in public sensitivity, too, between the firms. Some protested vigorously their patriotism and the unfairness of the attacks made upon them, notably Cammell Laird and Vickers. Others, like Armstrongs and also Nobel's Explosives, kept a low profile.<sup>15</sup>

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<sup>14</sup> For the background to Whitehall's relationship with the armaments industry, see C. TREBILCOCK, *The Vickers Brothers, Armaments and Enterprise 1854-1914* (Europa, London, 1977) especially pp. 1-25, 74-103, and his essay, "War and the failure of industrial mobilisation: 1899 and 1914", in J.M. WINTER (ed.), *War and Economic Development*, *op. cit.* For the arms firms and the War Office at the start of the war, see also *Ministry of Munitions*, Vol. 1 part 1 ch. 3 and 4, part II, pp. 21-2; LLOYD GEORGE, *op. cit.* Vol. 1, pp. 75-127; ADDISON, *Four and a half Years*, Vol. 1, p. 83; and W.H. BEVERIDGE, *Power and Influence* (Hodder and Stoughton, London, 1953), p. 122. Among publicly defensive chairmen of arms firms were W.I. Hichens of Cammell Laird and Lord Aberconway of John Brown, *Times* 1-4-1915, p. 10, 30-6-1915, p. 15.

<sup>15</sup> *Ministry of Munitions*, Vol. III part II chs. 1 & 2. ADDISON, *Politics from Within*, Vol. I, pp. 97-106, and *Four and half Years*, Vol. I, pp. 139-256. LLOYD GEORGE, *op. cit.*, Vol. I, pp. 143-210. J.D. SCOTT, *Vickers, a History* (Weidenfeld & Nicolson, London, 1963), pp. 126-33. Hichens conducted his defence of Cammell Laird through the correspondence columns of the *Times* 16-10-1916, p. 13, 24-10-1916, p. 10, 28-10-1916, p. 7.

Nowhere were the subtle varieties of speculation and profiteering more apparent than in the shipping industry. Here gross anomalies in government controls and colossal temptations on an international scale produced extravagant profits but of widely varying kinds. There were the outside speculators who cashed in on, and contributed to, the rapidly rising market in the sale and purchase of ships. There were the commercial operators with no previous experience in shipping who made large gains from floating new companies or snapping up old ones. There were the abdicators, the established shipowners who seized the chance of selling out to newcomers at a high profit. Even among ordinary shipowners who stayed on the job profit behaviour varied considerably. For these included highly active profiteers who evaded regulations and sought out lucrative uncontrolled cargoes, sometimes in foreign waters; less active profiteers who merely continued to operate in such ways; and more passive beneficiaries whose normal roles or preferences kept them largely within the sector of official "Blue Book" rates where profits still tended to be very high. At an exalted point in the spectrum of behaviour came a businessman like Walter Runciman (the politician's father) who offered the whole of his fleet "for national service unconditionally" at the outbreak of war. There were, too, some (mostly well-known) shipowners whose sense of public service, perhaps also of guilt, brought them into active co-operation with the government's belated efforts to tighten shipping controls in 1917-18.<sup>16</sup>

Big contrasts in behaviour also emerged in normally competitive consumer trades which were free from government controls for long periods. In the clothing industry contrasts between "fair profit", officially approved schemes and free markets produced a polarisation similar to that in shipping, though perhaps less extreme. Some firms conformed to government restrictions on production for civilians, so as to supply army needs at a moderate profit. Those which did not made large profits from sharp price rises in the civilian trade. When the resulting outcry forced the government to introduce a standard clothing scheme for civilians in late 1917, applying military-type costing and price-fixing, this merely recreated the problem in a new form. A leading group of firms showed responsibility by co-operating voluntarily with the scheme

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<sup>16</sup> The major source for shipping is FAYLE, *op. cit.* But see also SALTER, *op. cit.* pp. 109-16, LLOYD GEORGE, *op. cit.*, Vol. 1, pp. 718-54, ADDISON, *Politics from Within*, Vol. II, p. 14, Sir WALTER RUNCIMAN, *Before the Mast - and After* (T. Fisher-Unwin, London, 1924), p. 259 & F.E. HYDE, *Liverpool and the Mersey, An Economic History of a Port 1700-1970* (David & Charles, Newton Abbot 1971), p. 147. Among those to enter shipping with the apparent intention of benefiting from war-time conditions was D.A. Thomas, later Lord Rhondda: M.H. MACKWORTH, *D.A. Thomas, Viscount Rhondda by his daughter and others* (Longmans, Green & Co., London, 1921), p. 137. For a critical discussion of what the shipping companies did with their increased profits see S.G. STURMEY, *British Shipping and World Competition* (London University Press, 1962), pp. 36-55.

whereas others, quite legally if unethically, made higher profits once again from the uncontrolled trade. Related minor trades produced comparable contrasts. For example, the "quite small persons" in the haberdashery trade quoted by Sir Auckland Geddes as suddenly buying "estates of several hundred acres in the country" were probably counter-balanced by others who hewed closely to habit and customer loyalties, particularly in small communities. Speculative activities continued. For example, Beveridge refers to an "orgy of speculation" in spring 1917 in peas, also in beans, which had become important for bread-making; and other products affected at various times included wheat, meat, tea, whisky, brush bristles and linseed oil. But certain consumer trades were largely exonerated by official opinion. Thus the biscuit manufacturers emerged quite well from a relatively thorough investigation in 1919, which suggested price parallelism, perhaps collusion, but no untoward profit rises during the war; and the footwear industry received several official tributes to its civic virtues.<sup>17</sup>

Complex managerial choices arose in a very different field: that of concentrated and cartelised industries which disposed of their products partly to the government, usually at controlled prices, and partly to civilian outlets. Here firms lived in two worlds, one of direct service to the state, the other of considerable discretion, singly or collectively, in setting prices. Such dualism could imply double standards of behaviour within the same firm, deliberate cross-subsidisation of the "public" activities by the "private" or corporate convergence towards one or other of the two modes. Cross-subsidising typically involved a display of ultra-restrained profit-making, even of chivalrous generosity, towards the state. Thus large shipbuilding or steel firms like Beardmore, Colville and Dorman Long gained kudos in Whitehall for charging much lower prices

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<sup>17</sup> For clothing see particularly LLOYD, *op. cit.* ch. 12. Also *Report on a Voluntary Scheme for Standard Clothing submitted by the Wool Textile and Clothing Trades of Great Britain*, and *Report on Uniform Clothing, prepared by a sub-committee appointed by the Standing Committee on Trusts*, HMSO, 1921 Cmd. 1314, 1339. Sir AUCKLAND GEDDES, in *Select Committee on High Prices and Profits, Special Reports, together with minutes of evidence*, pp. 1919, Vol. V, p. 21, para. 385.

For speculation see BEVERIDGE, *op. cit.*, p. 36; LLOYD, *op. cit.*, pp. 40-1, 47, ADDISON, *Four and a half Years*, Vol. 1, pp. 69-70, 241. J.R. CLYNES, *Memoirs* (Hutchinson, London, 1937), Vol. 1, p. 183. *Departmental Committee on Prices, 3rd Report 1917* Cmd. 8483, p. 18; *Report on Brushes and Brooms prepared by a sub-committee appointed by the Standing Committee on the Investigation of Prices* HMSO Cmd. 1275, 1921, p. 8.

*Report by the Standing Committee on the Investigation of Prices into the Prices, Costs and Profits at all Stages of the Biscuit Trade* HMSO 1920 Cmd. 856, p. 4. *Report on the Repairing of Boots, Shoes and Footwear and Report on the Standard Boot and Shoe Scheme* HMSO 1920 Cmd. 1354 & 1269. LLOYD, *op. cit.*, pp. 91-95. *Memoirs of the Earl of Woolton* (Cassell, London, 1959), pp. 46-7, 54. But there was some backsliding even in the boot trade, see *Woolton*, p. 55.

for shells than the specialist armament firms (see above). Such actions were effectively financed by, perhaps sometimes intended to atone for, high profits earned elsewhere. Plainly, low profits on government orders could mean relatively greater sacrifice for less diversified firms. Energetic and public spirited entrepreneurs like Herbert Austin switched their firms' activities so radically towards government work that they appear to have reaped little or no financial benefit from the war.<sup>18</sup> But although accepting low profits on government work might be regarded as virtuous, particularly when it thus absorbed a large proportion of a firm's output, some large companies, straddling the two sectors and much in the public eye, were notably sensitive to expectations of restraint in prices to consumers as well as to government. Distillers claimed to be charging exceptionally low rates for alcohol for shells while foregoing opportunities to double their profits between 1914 and 1916. Dunlop were selling rubber tyres to the government at controlled prices but still claimed to have held prices to the public steady from 1915 to 1917. In similar fashion profits on foreign operations could be used to subsidise domestic restraint. Shell volunteered tankers for hire to the government at prewar rates and forewent large increases in the price of motor fuel to the public. It even tried to lower prices at one point, but its competitors did not follow suit and the ensuing run on supplies led, ironically but predictably, to a shortage and price rise, for which Shell found itself criticised. Such gestures were made possible because 80% of Shell's profits accrued from outside this country or even the empire.<sup>19</sup>

In a final category of trades public responses were particularly severely tested. These were the highly concentrated and/or cartelised sectors enjoying additional market power in the war but mainly exempt from government purchasing or formal control. Many of these were scrutinised immediately after the war by sub-committees of the Standing Committee on Trusts. Although inconsistent in quality, their reports do suggest a spectrum of behaviour in relation to war-time profiteering. Thus a relatively comprehensive enquiry found that soap prices, particularly involving Lever Brothers, had been held relatively steady (although informal government influence may have been a significant factor here). Less sophisticated enquiries into jam and milk (the latter by a departmental committee reporting in 1916) largely absolved Crosse and Blackwell, and United Dairies, the former because of the existence of substantial competition, the latter mainly because lower milk prices would throw many small distributors out of business and endanger supply. Similar investigations suggested pricing moderation in chocolate (Cadbury, Rowntree, Fry) and tobacco (mainly

<sup>18</sup> R.A. CHURCH, *Receivership, Reconstruction and Renaissance at the Austin Motor Company 1921-39*, Unpublished paper 1978.

<sup>19</sup> *Times*, 24-7-1916, p. 11, 30-1-1918, p. 13. R.D.O. HENRIQUÈS, *Bearsted, A Biography of Marcus Samuel, First Viscount Bearsted and Founder of 'Shell' Transport and Trading Company*. (Viking Press, N.Y., 1960), pp. 591-622. *Times* 12-7-1916, p. 14, 21-6-1918, p. 13.

the International Tobacco Company). In other sectors the verdict, also variable in quality, was mixed, doubtful or negative. According to one superficial report, the Cable Makers Association's defence of fixed prices 10% higher than the independents' was of doubtful validity. In glassware one trade association was broadly cleared, another was criticised and Pilkingtons, a powerful firm, were found to have steeply increased prices for reasons partially open to doubt. In the electric lamp trade a more detailed report found that a highly collusive and manipulative oligopoly had restrained war prices to some degree, but still at levels apparently far above what falling production costs and other criteria might suggest as reasonable. Probably the best researched abuse arose in the drug industry, over aspirin tablets. Here manufacturers were shown to have charged seriously excessive prices, taking advantage of massive concentration, advertising, increased patent protection due to the war, and consumer ignorance.<sup>20</sup> Overall, however, it seems unlikely that profiteering by the "trusts", even the most criticised ones, went as far as in parts of normally more competitive trades like textiles, clothing and shipping.

#### *Responses to controls*

In trade after trade a major test came as government controls were initially proposed. Overall the main reaction was clear. It was one of reluctant acquiescence, with minority strands of initiation of control proposals from within the business community and of outright resistance to them. But the contours of acquiescence, initiation and resistance varied significantly from sector to sector. The important variables seem to have been previous experiences, if any, of government intervention, expectations of economic confusion if controls were not imposed, the pressures of public opinion, the adroitness of government persuasion and the desire of co-operatively-minded businessmen to prevent sabotage by deviant minorities.

In a few cases the initial reactions of a trade were well defined and positive, for predictable internal reasons. Thus even before 1914 the railway companies had co-operated in setting up machinery for war-time regulation and profit control. Such contingency planning was inevitable, given the generally acknowledged strategic importance and long-established public regulation of the railways. Positive support of, or requests for, government control from the

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<sup>20</sup> *Reports by Sub-Committees of the Standing Committee on the Investigation of Prices into the Price of Fruit in the United Kingdom; the Prices, costs and profits of drugs and medicinal tablets, with special reference to aspirin and aspirin tablets; the existence of any Trust or Trade combination in the Electric Lamp Industry; the existence of a Trade combination in the Tobacco Industry, HMSO 1920, Cmd. 878, 633, 622, 558. Reports by Sub-Committees appointed by the Standing Committee on Trusts into the Electric Cable Industry, the Glassware Trade and the Soap Industry HMSO 1921 Cmd. 1332, 1385, 1126.*

sugar trade (1914), the wholesale clothiers (1915) and the Malayan rubber planters (1917) reflected dismay at actual or threatened breakdowns of normal market processes. According to Lloyd, the ready acceptance of control by the boot and leather trades (1914-15) partly reflected the government's leverage as a major purchaser but, more importantly, the influence of able and respected industry leaders and effective trade organisations. By 1917 most businessmen in the more heterogeneous food trades were prepared for even greater control. According to Beveridge, public anger at rising food prices, the failure of half-baked controls in early 1917 and the massiveness of the political consensus behind the new Food Controller, Lord Rhondda, who excoriated food profiteers as "blackmailers", paved the way. Attitudes of resignation or responsibility did the rest so that "the food traders came in naturally; they could hardly have wished for more than to take their margins and be free of their worst responsibilities; they were in any case as patriotic as the rest of the community..."<sup>21</sup>

Elsewhere, responses were more mixed. In the heterogeneous, politically fraught coal industry a progressive-minded coal-owner like D.A. Thomas (later Lord Rhondda) proposed government control at the start; at the other extreme a rump of recalcitrant coal owners fought government control of profits to the last ditch as late as in 1917. It was the coal industry's bad labour relations which provided the main reason not only for government intervention but also for a conciliatory minority of coalowners to advocate controls and a larger minority to resist them, although here, too, the dominant response was probably one of reluctant acquiescence.<sup>22</sup> Even more complex was the drink trade. Here proposals for control and taxation revived the temperance debate and aroused fierce resentment among consumers of beer in key industrial and agricultural sectors. In at least one area, Liverpool, publicans and brewers voluntarily reduced opening hours. But extra taxation was initially rejected in Parliament by a combination of the Unionists (whom Bonar Law admitted to be tied to the brewers' purse) and the Irish, with tacit support from Labour. Lloyd George's hopes for nationalisation were discouraged by his financial

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<sup>21</sup> E.A. PRATT, *British Railways and the Great War, Organisation, Efforts, Difficulties and achievements* (Selwyn & Blount, London, 1921) Vol. I, pp. 40-53. Pratt's favourable view of the co-operativeness of the Railway Executive was not shared by Addison; see *Four and a half Years*, Vol. II, pp. 332, 348. For sugar, and boots and leather, see LLOYD, *op. cit.*, pp. 31-3 and chs. 8 & 9; for rubber, J.H. DRABBLE, *Rubber in Malaya 1876-1922, The Genesis of the Industry* (O.U.P., Kuala Lumpur & London 1973), pp. 139-46; for the food trades, BEVERIDGE, *British Food Control*, pp. 162, 342.

<sup>22</sup> MACKWORTH, *op. cit.*, pp. 139-40. For a favourable view of the industry's performance, see REDMAYNE, *The British Coal-Mining Industry*, especially, pp. 34-6, 40-9, 64-6. For a more critical contemporary account, see COLE, *Labour in the Coal-Mining Industry*, especially, pp. 42-55. For a recent, balanced view, H. W. KIRBY, *The British Coal-Mining Industry 1870-1946, A Political and Economic History* (Macmillan, London, 1977), pp. 24-36.

advisers and a Liquor Control Board was established instead, along with progressively heavy duties and requisitioning of stocks, which inclined many in the trade to favour State purchase, after all. In the event, this took place only in Carlisle.<sup>23</sup>

The next test of business behaviour came with the detailed negotiation of controls specifically on prices. Here the arena narrowed to a negotiating table between small groups of businessmen and Whitehall representatives. The business response to the new challenge of collective bargaining with government, one of the most significant developments of the war, was tested by the level of their initial price proposals, their readiness to divulge cost information, the economic plausibility of their arguments for higher prices, the nature of the eventual compromises and the apparent reasons for these (patriotic cooperation? government threats? economic necessity?). Critics attacked this process both for debasing patriotic responses and for producing formulæ too favourable to business.<sup>24</sup> However, the system's main defenders, Lloyd and Beveridge, claimed high virtues for it: opportunities for the government representatives to use both patriotic appeals and discreet threats, in private; a process of mutual education and joint consultation; and a better chance of the eventually agreed controls being made to "stick". The discussion relates to a contentious issue. If price control interpreted the "war-excess" and excess-of-a-selected norm approaches so as to provide rather high profits, was this the result of excessive business influence on the official machine?

In assessing this issue a number of factors have to be weighed. Whitehall observers noted a tendency among business representatives to exaggerate their costs. This was not necessarily a case of deception. Undoubtedly some businessmen were slow to adapt to the new conditions, to discard the habits of commercial bargaining. Attempts were sometimes made to claim for such items as selling expenditure (hardly applicable in war), increased unit overhead charges (which would have tended to decrease with larger outputs) and increased working capital (whose requirements may have lessened where wartime trading conditions were more stable). Expectations were an important influence. Apprehension of post-war conditions was commonplace among businessmen

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<sup>23</sup> H. CARTER, *The Control of the Drink Trade, A Contribution to National Efficiency* (Longman, Green & Co., London, 1918). S. SALVIDGE, *Salvidge of Liverpool. Behind the Political Scene 1890-1928* (Hodder & Stoughton, London, 1934), pp. 139-44. Earl of Oxford and Asquith, *Memories and Reflections 1852-1927* (Cassel & Co., London, 1928), Vol. II, p. 75. LLOYD GEORGE, *op. cit.*, pp. 192-205. ADDISON, *Politics from Within*, Vol. I, pp. 46-7, and *Four and a half Years*, Vol. I, p. 200. The Chairmen of Ind Coope and Barclay Perkins viewed liquor control as a teetotallers' conspiracy, *Times* 17-12-1915, p. 18, 1-8-1916, p. 14.

<sup>24</sup> The Select Committee on National Expenditure, 1918, cited in *Ministry of Munitions*, Vol. III, part II, pp. 31-2.

from 1915 onwards. Many anticipated a renewal of 'economic warfare' and feared that constraints on profit margins would damage future investment and abilities to fight foreign competition. There was a tendency to over-insure in making estimates of future costs.<sup>25</sup> Equally if not more important was the varying availability of cost information to the government bargainers. Up to early 1916 there was no legal compulsion: often costs were voluntarily provided (for example, in jute, army boots), sometimes they were not (as in wool textiles). Even when disclosure became mandatory there was the problem that cost data could be seriously defective, mainly reflecting poor management methods, and difficulties of definition and comparability were widespread. The employment of accountants by government departments, sorely needed to unravel these complexities, gathered force in relation to army contracts from mid-1915 and reached a climax at the Ministry of Food in 1917-18. Elsewhere it was patchy.<sup>26</sup>

Probably most important however, were the inherent problems of fixing standard prices. The principle that the least efficient unit should receive a minimum return was repeatedly assumed by the public negotiators. It was sometimes achieved by a "minimum guarantee" element as in coalmining, sometimes by a generally unremunerative price combined with profit pooling or a government subsidy, but usually by fixing the price at an appropriately high level. The official rationale was partly that of seeking maximum production, partly that this was hardly the time to inflict hardships on weaker and smaller units or to reform the economic system more generally; partly to ensure that the controls "stuck" and to provide an incentive to business to co-operate. The main result was apparently well understood in official quarters. Profit levels were high, even by contemporary standards, for the most efficient and best placed concerns (frequently the larger ones). Where cost efficiency "spreads" were great — to the extent of optimum production costs as low as 1/2 or 1/3 of the most efficient, as in baking or worsted spinning — this effect was particularly pronounced.<sup>27</sup> In addition, the official negotiators must sometimes have been tempted to give the benefit of the doubt where cost data on the marginal

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<sup>25</sup> For discussion of these bargaining factors, see LLOYD, *op. cit.*, pp. 317, 320-1; Sir Arthur Rose, giving evidence to the *Select Committee on High Prices and Profits. Ministry of Munitions*, Vol. III, part II, pp. 56, 74. Among leading businessmen to express concern about post-war conditions, and the effects of war taxation on British competitiveness in the long-term, were J.W. Pearson of British Oil and Cake Mills, and Arthur Chamberlain of Kynochs, *Times* 10-3-1916, p. 14, 20-9-1916 p. 15.

<sup>26</sup> LLOYD, *op. cit.*, p. 46, pp. 318-9. ADDISON, *Four and a half Years*, Vol. I, pp. 139-40. BEVERIDGE, *British Food Control*, pp. 54-5.

<sup>27</sup> BEVERIDGE, *op. cit.*, pp. 73-4, 178, 339. LLOYD, *op. cit.*, pp. 321-8. F.H. COLLIER, *A State Trading Adventure* (N.U.P., London, 1925), p. 227. PIGOU, *The Political Economy of War*, p. 133. Sir Auckland Geddes in *Select Committee on High Prices and Profits*.

units were lacking or in fear of protests from large numbers of individuals with collective political influence. But the basic aim of minimally rewarding the marginal units was politically conceived. So far from being pushed on to unwilling politicians and civil servants by over-mighty business lobbies, the policy seems to have reflected considerations of production, social stability and morale. That it was sometimes, perhaps often, overshot probably mainly reflected poor information and hurried and confused negotiating processes for which neither civil servants nor politicians nor businessmen can entirely escape blame.

Part of the pay-off for liberalism came with an apparently high standard of conformity to both price and other controls. True, there were some dark corners of evasion. Some arms manufacturers sought to increase profits secretly by falsifying prices paid to their sub-contractors; a number of shipowners evaded official requisitioning in an ugly fashion; control of coal, at first restricted to pit-head prices, was sometimes undermined by the exactions of merchants and dealers; in some trades disguised price cuts or premiums were colourably suspected; in remote rural areas a farmer might quietly slip a joint of meat to a favoured customer at a black market price; and by 1918 many small shopkeepers were being prosecuted, mainly for petty offences, under the Profiteering Acts.<sup>28</sup> Further research will doubtless provide more detail on the forms and extent of evasion. But defiance of legality appears to have been a minor phenomenon. Although convictions under the Prevention of Corruption Act increased four-fold over the pre-war average and the penalties for bribing public officials had to be strengthened in 1916, the incidence remained remarkably low and most were only petty offences.<sup>29</sup> Price control was undoubtedly proving effective by 1917 and 1918.<sup>30</sup> If some official accounts appear complacent, the sheer amount of voluntary co-operation was striking, as emphatically suggested by balanced observers like Beveridge and Lloyd.<sup>31</sup> Repeatedly, it seems, businessmen co-operated with control schemes negotiated on their behalf, where the legal penalties for non-compliance were theoretical or non-existent and where the only real sanctions were the more subtle ones of conscience-abusing, public scandal or social disrepute.

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<sup>28</sup> *Ministry of Munitions*, Vol. III, part. II, pp. 6-10. FAYLE, *op. cit.*, p. 116. For the recalcitrant coal merchants, and measures taken to control them, see W.R. SCOTT & J. CUNNISON, *The Industries of the Clyde Valley during the War* (Carnegie Series, Oxford 1924), p. 47, REDMAYNE, *op. cit.*, pp. 116-21. The rural black market is touched on by LLOYD, *op. cit.*, pp. 287-8. BEVERIDGE, *op. cit.*, p. 235.

<sup>29</sup> The average number of convictions was just over 40 p.a., and not all of these involved businessmen. Secret Commissions and Bribery Prevention League, *Annual Reports 1908-18* (London 1909-19).

<sup>30</sup> BOWLEY, *op. cit.*, p. 7; MORGAN, *op. cit.*, pp. 293-4.

<sup>31</sup> BEVERIDGE, *op. cit.*, p. 74. LLOYD, *op. cit.*, pp. 64, 92-3, 101, 111, 172, 236, 243, 275. See also COLLIER, *op. cit.*, p. 231.

*Managerial efforts and philanthropy*

A rounded picture of business public behaviour during the war necessitates brief reference to two other aspects: extra managerial effort in day-to-day operations and philanthropy. These activities provided significant opportunities for businessmen to salve their consciences, to compensate for high profits or even acknowledged profiteering, to show their patriotism in fairly unambiguous ways and to earn public repute.

Official accounts detail the countless exertions and improvisations shown by businessmen, for example in providing 60 million pairs of cheap and reliable boots to the British and allied armies, squeezing the last ounce of productivity from obscure animal fats, or delivering essential foodstuffs to millions of consumers under the 1917-18 rationing schemes. True, some care is needed in evaluating business claims of exceptional exertion in the national service, especially the hyperbole of Dudley Docker who likened managerial stresses to those on the battlefield. Less attention was drawn to managerial remuneration: the directors of Bass, Ratcliffe and Gretton were unusual in openly rewarding themselves for hard work. A fair evaluation in particular cases would need to take account of directors' pay; of normal commercial uncertainties which were now absent; even of occasional failures to sink separate interests, as when certain railway wagon owners dragged their feet over wagon pooling proposals or when a number of oil and fat firms jibbed at profit pooling schemes.<sup>32</sup> On the other hand such an evaluation would need to embrace many dimensions of genuine and often unrecognised sacrifice. There were sectors like building, poorly organised and already at a low ebb in 1914, which were actually further impoverished by the war. There was the occasional sheer loss of livelihood, for example in the case of Birmingham jewellers, Bradford wool buyers, Smithfield meat factors.<sup>33</sup> There was the obvious dimension of additional quantities of work: retired managers returning to their old jobs; long working hours; holidays foregone. There were big additions to man-management, complex new requirements on welfare, safety and joint consultation with workers. There were the genuine offers of help to government, particularly in the early phases, which Whitehall departments were unable or unwilling to take up. There was the occasional dimension of risk. For example, Hans Renold was so moved by an appeal from Lloyd George at a Manchester meeting that he accepted a purely verbal offer of a contract for fuses and bought the materials before the

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<sup>32</sup> *Times* 2-6-1916 pp. 14-15, 20-8-1917 p. 11. REDMAVNE, *op. cit.*, pp. 70-2. LLOYD, *op. cit.*, p. 215.

<sup>33</sup> *Interim Report on the Prices, Costs and Profits of the Brick Trade and Report on Cement and Mortar Prepared by Sectional Committees of the Sub-Committee on Building Materials* HMSO, 1920 Cmd. 959, 1091. A. BRIGGS, *History of Birmingham. Vol. II Borough and City 1865-1938* (O.U.P., London, 1952), p. 217. LLOYD, *op. cit.*, pp. 122-3, 192-3. BEVERIDGE, *op. cit.*, p. 152.

order was officially confirmed. There were, too, the losses of advantage to competitors experienced or suspected by the more prominent and public-spirited firms: for example, those who were above-average in training skilled workers or in sharing jealously guarded technical skills with competitors in the interests of the war effort.<sup>34</sup> The heaviest burden must often have fallen on businessmen who manned official regulatory bodies while still performing their company duties. State intervention relied equally on the services of innumerable businessmen in ad hoc capacities. Such commitments deprived many companies of key personnel for all or part of the war: John Brown had three directors absent in 1916.<sup>35</sup>

Donations of money, materials or services to charities and war-related projects threw up significant contrasts in behaviour. The category of politically involved or interested businessmen produced some lavish war givers like Sir Alfred Mond, Marcus Samuel and W. H. Lever.<sup>36</sup> From many companies there were repeated donations to war-related causes ranging from the Red Cross to the Y.M.C.A., from refugee funds to ambulances. In the aggregate such donations tended to be only a small proportion of profits, though probably a higher proportion than in peace. Sometimes their motivations are partly discernible: for example, attempts to divert public hostility to high profits (Lovell and Christmas, the food distributors), anxiety to disavow any personal benefit from war output (as when the Weir Group and Pilkingtons passed to charity the earnings from shell production), the setting of an example to employees in the interests of labour relations or to encourage reciprocal sacrifices (a likely intention of Sir William Weir) or a display of virtue for the benefit of shareholders who might expect their board to show public spirit (Liebig).<sup>37</sup> The ci-

<sup>34</sup> ELEANOR C. BARNES, *Alfred Yarrow, His Life and Work* (Edward Arnold, London, 1924), pp. 241-54. SIR ALLEN GRANT, *Steel and Ships* (Michael Joseph, London, 1950), pp. 62-6. BASIL TRIPP, *Renold Chains. A History of the Company and the rise of the precision chain industry 1879-1955* (Allen & Unwin, London, 1956), pp. 27, 117-8. CRITTALL, *op. cit.*, p. 92. SIR CHARLES MACARA, *Recollections* (Cassell, London, 1921), pp. 229-41. J. MORTON, *Three Generations in a Family Textile Firm*, (R.K.P. 1971). A.J.P. TAYLOR, *Beaverbrook*, (Hamish Hamilton, 1972), p. 87. *Ministry of Munitions*, Vol. III, part II, pp. 41-2.

<sup>35</sup> PRATT, *op. cit.*, pp. 86-97, LLOYD, *op. cit.*, p. 172, W. ROBERTSON, *Middlesbrough's Effort in the Great War* (Jordison & Co., Middlesbrough, 1922), *Times*, 28-9-1916 p. 14. For a further example of major governmental services by leading personnel, see A.H. JOHN, *A Liverpool Merchant House, the history of Alfred Booth and Co.* (Allen & Unwin, London, 1959), pp. 107-11.

<sup>36</sup> H.H. BOLITHO, *Alfred Mond, First Lord Melchett* (Martin Secker, London, 1933), p. 206. HENRIQUES, *op. cit.*, pp. 593-4. W.P. JOLLY, *Lord Leverhulme: a biography* (Constable, London, 1976), p. 162. For a prominent example of religiously-derived philanthropy see I. WILLIAMS, *The Firm of Cadbury 1831-1931* (Constable, London, 1931), pp. 98-9.

<sup>37</sup> A. KEFVL, *The Story of Fitch Lovell 1784-1970* (Phillimore & Co., London and

vic activities of some business leaders in organising welfare schemes, army recruitment and war savings campaigns, for example Neville Chamberlain in Birmingham and the Dorman Long directors in Middlesbrough, reflected long-established traditions of local public activity. Nor should one forget genuine grief at the appalling loss of life and the sacrifices at the Front, particularly among businessmen with close relatives or friends involved. Interestingly, too, during the early period many firms provided allowances to the families of their employees who enlisted. But these allowances were more or less extensive and also more or less generous relative to profits.<sup>38</sup>

### *Mixtures and contrasts*

Thus each testing-ground of behaviour saw a great variety of responses. At first sight this suggests the virtual impossibility of a composite picture of the businessman at war. But some kind of overall typology, however tentative, is not precluded and still seems worth attempting. In fact, the evidence suggests two predominant features: first that within each firm, indeed each businessman, mixtures of civic virtue and backsliding tended to reside; second, however, more tentatively, that these mixtures were not so random as to prevent polarising trends within industries such that, within a particular sector, some firms might be, in an overall sense, "better" or "worse" than others.

True, the "mixtures" seldom emerge in the conventional literature pertaining to the war. Politicians, labour leaders and senior civil servants dealt with large numbers of firms and generally only with isolated aspects of behaviour. Even for the more perceptive, businessmen appear to have divided into stereotypes of "co-operative and public spirited", "difficult" or merely acquisitive. Occasionally their accounts run to a wry irony. Thus Sir Auckland Geddes grew accustomed to hearing that "profiteering was always going on in somebody else's trade"; Addison pictured Sir Trevor Dawson of Vickers as "indeed majestic in his exposition of the attitudes of the firms, of their patriotism, their self-denial" etc.; every measure of food control confronted Lord Devonport with "a string of deputations trying to prove that whatever might be done with the others, national safety depended on this particular

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Chichester, 1972), pp. 60-1. W.J. READER, *The Weir Group, A Centenary History* (Weidenfeld & Nicolson, London, 1971), p. 70. T.C. BARKER, *The Glassmakers, Pilkingtons 1826-1976* (Weidenfeld & Nicolson, London, 1977), p. 244. In the case of Liebig's, subscriptions first made at the suggestion of a shareholder became a regular contribution, *Times* 22-7-1915, p. 12, 23-8-1917 p. 11, 16-8-1918 p. 12.

<sup>38</sup> BRIGGS, *op. cit.*, pp. 203, 211. K. FELLING, *The Life of Neville Chamberlain* (Macmillan, London, 1946), pp. 56-60. ROBERTSON, *op. cit.*, p. 13. References to allowances to enlisted employees' dependants are to be found in many chairmen's speeches at company meetings in 1914-15.

interest being left alone"; and when a shipowner tried, amid professions of patriotism, to prove the economic damage if one of his ships were requisitioned, Salter was able to reveal that the Department knew that the man had been trying to sell it all along: "he looked startled and picked up his hat".<sup>39</sup> Of all the political "businessman-watchers" Lloyd George probably came nearest to appreciating the subtle mixtures of idealistic, sentimental and acquisitive man lurking inside many entrepreneurs precisely because they so closely matched his own complex psychology. Paradoxically, the worst disservice to businessmen was performed later by their own hack historians. Hagiological tributes to wartime hard work, benevolence and philanthropy combined with neglect of basic commercial aspects. Such a narrowing of reality was worsened when raw nerves were spirited away by glossy pietism, for example when someone so interesting and probably cross-pressured as Sir Archibald Salvidge, the Liverpool brewer, was described as "honourably combining loyalty to sectional interests with the higher loyalty due in face of national necessity."<sup>40</sup> In fact, such an "honourable combination" seems likely often to have presented difficult choices, even major problems of conscience. The conflicting loyalties of one young businessman are clearly revealed by James Lithgow. Writing to his brother from France in 1915 about the government's errors, he said: "Put bluntly it does not matter a damn to us selfishly how deep in the soup it gets as it will be all the more profitable to pull it out, but both of us can lay definite claim to having been guided by better motives in all we have done since this trouble arose."<sup>41</sup>

Such awareness of a combination of "selfish" and "better" motives was clearly implied by a man like Lord Rhondda when he confessed to making large profits from speculation soon before performing the brilliant services to the nation which virtually cost him his life. Embarrassment over high profits is palpable in many reports of annual meetings. And comparable mixtures seem to have applied, if less dramatically, to the few firms on which relatively full information exists. Thus while Rio Tinto's profits and dividends reached giddy heights, reflecting its overseas power and grip on scarce metals, the same firm provided for Whitehall services Sir Charles Fielding, according

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<sup>39</sup> *Select Committee on High Prices and Profits* P.P. 1919, v. no. 166, p. 21. ADDISON, *Politics from Within*, Vol. I, p. 104. VISCOUNT DEVONPORT, *The Travelled Road, Some Memories of a Busy Life* (Private Publ., London, 1935), p. 207. LORD SALTER, *Memoirs of a Public Servant* (Faber & Faber, London, 1961), p. 82.

<sup>40</sup> SALVIDGE, *op. cit.*, p. 145. Other examples of this genre are GEORGE BLAKE, *B.I. Centenary 1856-1956* (Collins, London, 1956), p. 175 & J.K. CARVEL, *100 Years in Coal: the history of the Alloa Coal Company* (Private pub., University Press, Edinburgh, 1944) ch. 9.

<sup>41</sup> J.M. REID, *James Lithgow, Master of Work* (Hutchinson, London, 1964), pp. 58, 61.

to Addison "a man with a big vision and immense knowledge." Vickers seems to have argued most of the way with government over profits, prices and controls yet shown extra sensitivity towards local communities and its own labour: perhaps a more typical combination.<sup>42</sup>

Although such mixtures were probably widespread, it is possible that within each industry some firms may have behaved in much more socially approved ways, overall, than others. Thanks to W.J. Reader, two large companies within the chemical industry, Nobels' Explosives, and Brunner, Mond, can be broadly compared. Nobels' Explosives profits seem to have increased about threefold, judging by their published accounts: if anything, Reader suggests, an understatement in view of large debenture redemptions, hidden reserves and the traditions of above-average secretiveness and even deception characterising this firm. Most of Nobels' profits came from sales to the government of war materials, the high margins on which were suspected of being excessive in Whitehall, although whose fault that mainly was is debatable. Nobels co-operated to a high degree with government in terms of production but along familiar lines. There is no sign of philanthropy or generosity towards serving employees' dependants. By contrast, Brunner, Mond's published profits increased by about 50%. Even allowing for profits poured into major investments and acquisitions, increases are unlikely to have greatly exceeded pre-war levels in real terms. Much of Brunner, Mond's profit came from government sales covered by price controls and unsuspected of exploitation in Whitehall. Its record of co-operation with government, particularly in terms of technical ingenuity and new lines of activity, appeared to be excellent. Its generosity to employees seems to have been above-average and its philanthropy possibly the same.<sup>43</sup> Despite the empirical problems of assessing performance on each front, let alone the conceptual difficulties of attempting a relative weighting between them, it would be hard to dispute, on the basis of this evidence, that Brunner, Mond's war record was better, in some overall sense, than Nobels'. Looking more widely, it would be surprising if firms like Rowntree, Cadbury and Booths, which were characterised by high-principled direction, were not better-than-average, overall, within their respective industries; surprising, too, if there were not some tendency for minority aberrations to congeal around a few firms in particular sectors.<sup>44</sup>

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<sup>42</sup> MACKWORTH, *op. cit.*, p. 138. BOLITHO, *op. cit.*, pp. 200-6. D. AVERY, *Not on Queen Victoria's Birthday, The Story of the Rio Tinto Mines* (Collins, London, 1974), p. 329. ADDISON, *Politics from Within*, Vol. I, p. 146. For VICKERS, see above and *Times* 6-8-1918 p. 9. For a well-chronicled "uneasy mixture of patriotism and profits", see D.C. COLEMAN, "War demand and industrial supply: the 'Dope Scandal', 1915-19", in J.M. WINTER (ed.), *War and Economic Development*, *op. cit.*

<sup>43</sup> W.J. READER, *Imperial Chemical Industries, a history*, Vol. I, *The Forerunners 1870-1926* (O.U.P., London, 1970), pp. 282-8, 291, 301-5, 499-500, 513.

<sup>44</sup> See A. BRIGGS, *Social Thought and Social action, A Study of the work of Seebohm*

### Conclusions

We conclude that the term "profiteering" embraced many forms of behaviour, some more intentional than others, and attended with varying degrees of success. The extent to which they subverted public norms depended on when they took place, what products they affected, how far they could claim some official sanction and, very importantly, what, if any, socially useful contribution those people involved were making at the same time. A minority of businessmen profited both deliberately and effectively, particularly exploiting army supply shortages during the early months, food and clothing scarcities in later periods and anomalies in shipping controls whenever they existed. Such men usually acted legally but in flagrant contravention of the public consensus, sometimes operating as privateers, outside normal commercial channels or even their own customary business habitats, and rarely providing any semblance of service. In all likelihood these "hard" categories of profiteers were in a clear minority in almost every trade. Almost certainly, they formed a small percentage of businessmen overall. At the other extreme, a mixture of constraints and moral preferences kept a minority of businessmen securely away from temptation, particularly where high degrees of government work, official control or public visibility coincided with a well-developed sense of social responsibility. In some cases, indeed, managerial restraint and public spirit partly explain a firm's inability to benefit financially from the war or even hold its pre-war position. In the middle, the large majority of companies were probably involved in partial, involuntary or intermittent profiteering, usually occasioned by the imbalance of market forces or the disparities of reward afforded by price controls. Typically, this would involve only part of a firm's operations. Sometimes it would subsidise restraint on other more 'public' activities. Generally, therefore, its effect on overall war profits would be diluted.

Profiteering must be considered alongside other arenas of behaviour. First, there was general acquiescence with price controls, although significant minorities either resisted or actively supported such controls at the outset whilst a small minority evaded them once they were installed, the proportions varying from trade to trade. Acquiescence was eased by the liberal nature of price control, which reflected a mixture of the inherent problems of standard prices, deliberate political strategy and muddle. Second, most businessmen showed more organisational energy, adaptability and co-operativeness, displaying in these respects a greater convergence of behaviour than on pricing and profiteering. Third, there seem to have been significant variations in the apparent motivations, forms and proportional degrees of war-related philanthropy. Fourth, the evidence suggests, unsurprisingly, a wide prevalence of mixtures

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*Rowntree 1871-1954* (Longmans, 1961), I. WILLIAMS, *op. cit.*, A.G. GARDINER, *Life of George Cadbury* (Cassell and Co., 1923), A.H. JOHN, *A Liverpool Merchant House, op. cit.*

of socially approved and stigmatised types of behaviour within individual firms. Thus most firms probably combined some profiteering with obedience to controls, greater organisational effort and more philanthropy, as already implied. Finally, however, there is the possibility that each industry harboured minorities of firms which displayed either responsive or aberrant behaviour in some overall sense. But this polarisation hypothesis, implying strong convergences of public spirit and deviance on particular groups of firms, remains to be tested.

Some of our themes require to be illuminated by further research. For example, the assessment of profiteering would be greatly helped by fuller information on actual profit trends, although there are considerable empirical difficulties here. Study of profit distribution behaviour would show how companies varied in their responses not only to tax influences but also to an increasingly hostile public mood on unearned income. Information on capital spending, relative to both commercial expectations and government pressures and inducements, would illuminate an important source of war-related losses and gains. A critical area we have hardly touched on is labour relations. Although sensitivities to labour would sometimes have broadly coincided with those to wider public opinion, notably over conciliation, on some issues, for example welfare spending, firms may have polarised differently. More light on the question of business political influence should result from studies of the businessmen who entered Whitehall during this period. Further study is needed, too, of the ways in which businessmen explained themselves and their firms to the public, particularly through the medium of the press.

Underlying all this, however, there is still the question of why businessmen behaved as they did. The derivation of typologies of behaviour, as pursued here, needs to be followed by an interpretation of possible reasons. This raises complex and difficult issues. For in the last resort such an interpretation must reckon with wider relationships between market, political and motivational influences on business behaviour. It must reckon, too, with the part played in economic life by ideas, normative values and social custom. In this article we have only hinted at the structural and attitudinal factors which probably favoured business co-operativeness: notably a moderate number of interests to be controlled; good collective organisation; high exposure to the public view; proximities to the people most affected by the decisions; pre-existing attitudes of civic responsibility with doubtless highly complex psychological, religious and cultural roots. It is to be hoped that business historians in particular will devote more attention not only to the sadly neglected details of war-time behaviour but also to the role of such institutional and attitudinal factors in helping to explain it. If this article has done no more than suggest some of the possibilities, we shall be well content.

