

# 1 The First Year of War

## August 1914–August 1915

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Even from before the moment the war began, the Americans looked for ways to make it stop. On the day of Archduke Franz Ferdinand's assassination in June 1914, Edward House had already been in Europe for a month, getting his first taste of shuttle diplomacy as he attempted to lay the groundwork for a project to decrease tensions and promote disarmament. He had met the Kaiser in Berlin and had then headed over to London for his first meetings with Edward Grey. In early July 1914, his efforts finally may have been getting very slowly off the ground only to suffer one of the most unfortunate cases of poor timing in modern history.<sup>1</sup>

Amidst a tidal wave of war declarations emanating from world capitals, the White House issued its first mediation offer to the belligerents on 4 August 1914.<sup>2</sup> Less than two weeks later, in a neutrality appeal to the American people, Woodrow Wilson declared that the United States stood as 'the one people holding itself ready to play a part of impartial mediation'.<sup>3</sup> Secretary of State William Jennings Bryan tried to get peace talks going in September, but, loathing secret diplomacy, conducted them in 'a blaze of publicity [that] ... wrecked [whatever very small] chance of success the negotiations might have had'.<sup>4</sup> House, meanwhile, would next spend a few fruitless months trying to work quietly with the British and German ambassadors in Washington.<sup>5</sup>

With the European bloodshed just beginning, peace as yet had no chance. As the German Army hurtled into Belgium and then France, Britain and the United States most shared worries over finance, not mediation – in an episode that would leave some British leaders learning entirely the wrong lessons. War panic set off a global financial meltdown, above all in the heart of the world economy, the City of London. Fearful London banks refused to lend, and many called in their extensive global short-term loans, including those in the United States. Liquidity evaporated. Panic selling on European stock exchanges forced governments to shut them down as investors desperately sought to move their holdings into cash.<sup>6</sup>

The City cracked its financial whip over New York – the final time in history it would have the power to do so. The American banking sector spiralled into crisis as it sought to comply, urgently seeking to repay the loans the British banks had called in at the same time that Europeans were selling huge amounts of American stocks and bringing their money home. With so many investors trying to sell their dollars so as to buy pounds sterling, the pound surged more than 15 cents to be worth over five US dollars.<sup>7</sup> To modern eyes accustomed to floating exchange rates, with currencies regularly shifting every day, this little strengthening of 3 per cent hardly seems more than a blip – perhaps a minor news story at best.

Under the gold standard, however, this little shift in fact represented a serious financial emergency. Currencies used to be exchangeable for gold, and as a result exchange rates were never supposed to move. One used to be able to take a US dollar to the US Treasury and demand about 23 grains of fine gold. A pound, meanwhile, could be taken to the Bank of England and redeemed for about 113 grains of gold. This ratio determined the exchange rate. A pound was worth just under five times as much gold as a dollar was. A pound should always, therefore, be worth just under five dollars – or to be more precise, \$4.86½.<sup>8</sup>

A deviation as small as five cents in either direction from this value represented not an inconsequential momentary fluctuation, but instead revealed a currency to be under constant and considerable pressure. Remove the pressure, and the rate should ease back to its normal value. Under ordinary circumstances, after all, why would traders accept a bad exchange rate when they could simply convert their funds into gold and ship it – and thereby get their money at \$4.86½? Normally, it required no more than a deviation of a few cents for it to be advantageous to go through the hassle of converting into gold and shipping it across the Atlantic.<sup>9</sup>

With exchange rates locked in place in this way, these gold flows would offset any momentary trade deficits that might develop. One country would get real useable goods, the other would get shipments of yellow metal. To sustain a deficit, one had to have enough gold to cover it, but in normal times this was rarely a problem. Surpluses would be run with some countries, deficits with others. Complex self-adjustment processes involving prices and money supply helped to keep these relatively small. A bit of gold flowed from this country to that, one year in one direction and the next the other way around. Most of the time, the exchange rates barely budged.<sup>10</sup>

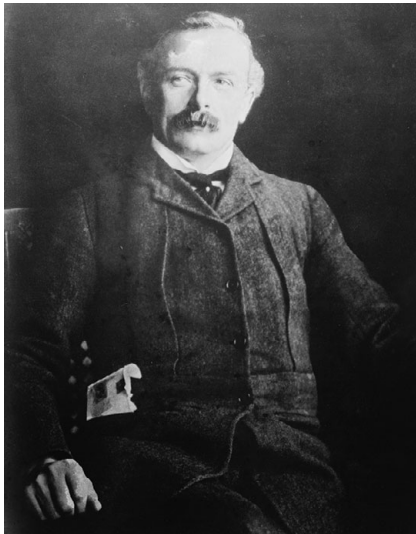
Between 1889 and the start of the war, the pound had never once broken \$4.90.<sup>11</sup> An exchange rate holding at more than five dollars per

pound meant that American traders were so urgently trying to get their hands on sterling that they were willing to pay a considerable premium to do so. In the midst of the crisis, briefly the rate spiked wildly to as high as seven dollars, a sign of a desperate willingness to get sterling at almost any price.<sup>12</sup> Over the next year, the British would rapidly find out what happens when there was not nearly enough gold to cover their deficit. For now, however, the situation seemed, if anything, to reinforce a sense of British financial invincibility. Most of the time, when a country finds itself in crisis, panicky investors pull their money out, with the currency taking a resulting tumble. Only countries with profound financial strength have the problem of people being desperate to get their money *in*.

In the United States, the Secretary of the Treasury, William McAdoo, acted decisively to stem the crisis. He accelerated the founding and implementation of the Federal Reserve system – one of the crowning achievements of Wilson’s 1913 domestic agenda – and he shuttered the New York Stock Exchange for four months, not to prevent a crash in prices, as might be imagined, but to contain the pressure on the exchange. American buyers stood ready to pick up European panic selling of American securities, but if the Europeans were allowed to pull all that money across the Atlantic, the already weak dollar could collapse. For the British, this shuttering would prove an unintentional blessing: Britain soon would sorely need these American securities to offset their trade deficit. Rushing emergency legislation through Congress, McAdoo kept liquidity flowing and, importantly, he resisted pressure to end convertibility with gold, boosting confidence in the relatively fledgling American financial system.<sup>13</sup> The largest US investment bank, J. P. Morgan & Co. (‘Morgan’s’), joined in by leading a number of banking initiatives to relieve the situation.<sup>14</sup> American gold flowed fitfully into British coffers, trying to maintain the dollar against the enormous amounts of capital flowing out from New York and across the Atlantic.<sup>15</sup> These measures helped ameliorate the situation, but, as the crisis originated in Britain, what Morgan’s and McAdoo needed was a restoration of financial calm in London.

The task of coping with the panic gripping the British financial sector fell primarily to David Lloyd George, Chancellor of the Exchequer. Dubbed ‘the great outsider’ by one of his biographers, Lloyd George grew up speaking Welsh as his first language – the only Prime Minister ever to have done so – and, along with his practical legal education, he stuck out amongst his well-heeled, Oxbridge-educated political contemporaries. Energetic and always embarking on a novel scheme to tackle some unresolved problem, Lloyd George lived impulsively in the political

moment. As President of the Board of Trade from 1905 to 1908 and then as Chancellor of the Exchequer until 1915, he pushed through a number of reforms, including the People's Budget, a major series of social measures that laid the foundation for the modern British welfare state. An accomplished mediator, Lloyd George had a gift for persuasive speech and proved an expert conciliator between warring parties – provided, of course, that he was not one of them. When challenged, this ruthless master of political manoeuvre tended to prefer embarking on risky and sometimes outrageous gambits to achieve his goals over compromising. Often devious and deceptive, he tended to regard the truth as a soft and supple thing, often constituting whatever would best suit his political agenda at any given moment. Intensely ambitious and extremely self-confident, he loved the limelight and proved a master manipulator of the British press.<sup>16</sup>



4 David Lloyd George (Library of Congress / George Grantham Bain Collection / LC-B2-3629-3)

Yet for all his effectiveness as a politician, Lloyd George had little patience for the day-to-day managerial duties that formed the mainstay of ministerial responsibility. By the start of the war, he had nearly a decade's combined experience at the two cabinet posts most responsible for the management of the British economy. He ought to have been the closest thing to an economic expert the Cabinet possessed, but instead he

had managed to remain deeply ignorant of economic and financial affairs. Leaping from subject to subject seemingly at random – a habit that led his subordinates in the Treasury to label him ‘the Goat’ – Lloyd George would happily master the most intricate details related to his latest scheme, but otherwise had little interest in the purpose of his departments or the complexities of their operations.<sup>17</sup>

Agile in a crisis, however, his ‘innocen[ce] of economics’<sup>18</sup> did Britain no harm in the first month of the war. The Bank of England suffered a domestic run on gold, with its reserve sliding from an already modest nearly £40 million (France had much larger pre-war reserves of around £140 million) to less than £10 million in the first days of the war. Caught up in the general panic swirling around him, initially Lloyd George unwisely wanted to pull Britain off the gold standard, which would have been a severe and unnecessary blow to confidence.<sup>19</sup> Prime Minister Asquith, however, previously a Chancellor himself, refused to approve the suspension of gold payments, and an emergency intervention from the young economist John Maynard Keynes at Cambridge University persuaded Lloyd George against the idea, unless the Bank of England actually were to come completely to the point of running out of gold.<sup>20</sup> Indeed, Britain and the United States were the only countries globally to remain on the gold standard in 1914 – though, to be precise, the British connection to the gold standard would steadily become ever more tenuous. Soon, Britain did all it could to encourage the domestic deposit of gold into the Bank of England for international use, and it would make gaining private access to the bank’s gold all but impossible.<sup>21</sup> Staying on the gold standard as everyone else abandoned it, however, gave the world’s financial confidence in New York a significant boost and confirmed Britain’s position as the global financial superpower.<sup>22</sup>

Once Lloyd George overcame his initial panic, he handled the crisis with aplomb. With a highly competent team of advisors and working well with the Governor of the Bank of England, Lord Cunliffe, Lloyd George deftly handled negotiations with the country’s leading banks. Declaring an extended bank holiday to give them time to respond to the crisis, he and his team drove through a number of initiatives that succeeded in getting liquidity unstuck and credit moving again.<sup>23</sup> Famously declaring that Britain remained open for ‘business as usual’, Lloyd George won the praise of his colleagues<sup>24</sup> – Walter Runciman, the capable President of the Board of Trade, commented admiringly on how Lloyd George, despite understanding virtually nothing about financial markets, nevertheless had led a ‘marvellous’ rescue of the situation.<sup>25</sup> Lloyd George himself rather implausibly credited his ignorance rather than his advice for the success, later bragging that it was precisely because he ‘knew

nothing about finance' that the Treasury was able to execute the rescue.<sup>26</sup> Confidence slowly came back, and British markets reverted to a semblance of normality. The Americans felt a deep sense of relief: as calm in Britain returned, the crisis in America passed. The pressure eased, the gold stopped flowing, and the exchange rate slid back to where it was supposed to be.<sup>27</sup>

This crisis, however, left Lloyd George and other British leaders learning all the wrong lessons. The episode seemed to confirm Britain's unassailable global economic position, and it left an impression that there was no crisis that the Treasury could not weather: one needed no more than some financial creativity and competence, and perhaps a dash of flair. The correct combination could always be found, and in the end all would be well. Just over two years later, Lloyd George would harken back to his triumph at this moment to mock a dire Treasury warning: 'The same fears', he said with disdain, 'were expressed on the outbreak of war'.<sup>28</sup> The Chief of the Imperial General Staff would echo the sentiment: 'Before the war', he would write dismissively, finance itself was supposed to be 'a complete bar to a great war ever taking place'.<sup>29</sup> Lloyd George had sorted it all out in 1914 seemingly without much difficulty. There surely was little need for finance to intrude upon Britain's strategy or diplomacy – let alone to justify something as preposterous as seeking a compromise peace because of it.

The executor of this rescue subscribed to this view wholeheartedly even while still Chancellor of the Exchequer. Having successfully calmed the initial financial panic, Lloyd George all but considered his war work as Chancellor complete. Even with Britain's expected role as financial and economic leader of the Entente, soon becoming effectively its paymaster, Lloyd George felt that the financial colossus that was the British Empire would easily 'withstand anything which war might present it' and that it required little more of his attention.<sup>30</sup> Should another crisis present itself, he believed he could solve it just as he had done with the first. Until then, however, he wanted to go and solve real problems, and the Treasury for the moment declined to present any that seemed very serious, and certainly not in comparison with that of the overall war. He all but turned out the lights at the top echelons of the Treasury, expecting it to play no further serious role in the management or direction of the war. The Treasury existed only to pay the bills and get out of the way. Paving the way for later financial crisis, he ordered a complete stop to any Treasury scrutiny of or control over war expenditures. The service departments could spend whatever they wanted, wherever and whenever they liked. Lloyd George all but abandoned his civil servants as he left them to find the way to pay for the war.<sup>31</sup> Many historians have

commented, usually with admiration, on Lloyd George's indefatigable energies over the first nine months of the war. They exploded in an omnidirectional burst: speeches rallying the nation, military strategy, munitions and supplies, industrial productivity, labour disputes. Nothing, it seemed, escaped Lloyd George's roving eye. He even found time to combat his colleagues over launching a nationwide campaign to restrict alcohol consumption.<sup>32</sup> All of this, however, came at the expense of the Treasury: by the time of the May 1915 political crisis that resulted in his leaving the Chancellorship, 'Lloyd George had been for months effectively Minister without Portfolio'.<sup>33</sup>

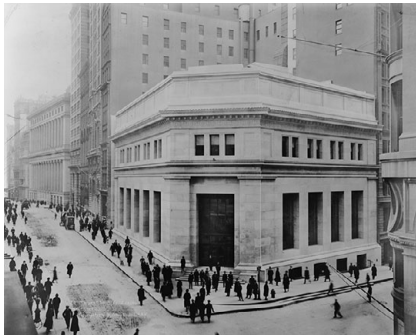
With Lloyd George paying attention to everyone's department but his own, the country found itself without an economic strategy and with a complete mismatch between its military and economic policies. The totality of the country's pre-war planning presupposed a war conducted almost exclusively on a naval and economic basis, with no army commitment beyond that of the initial deployment of the British Expeditionary Force. As War Secretary Lord Kitchener began forming the New Armies, the extensive voluntary recruitment in the first months of the war caused considerable economic disruption. Nearly 1.2 million men enlisted in the first four months of the war<sup>34</sup> out of a total labour force of some 20 million.<sup>35</sup>

For the duration of the wartime Liberal Cabinet, until May 1915, '[n]aval and military policy was decided apart from economic policy'. The formation in November 1914 of the War Council, a leading Cabinet committee on which Lloyd George sat, did nothing to ameliorate the situation. The lack of coordination permeated all aspects of policy: 'For example, there was no discussion of how the Dardanelles operation [against the Ottomans] would be affected by the growing shortage of merchant tonnage in the spring of 1915 or how the operation would affect British trade by diverting merchant ships into war use'. Certainly Asquith must bear some of the blame, but few historians have taken Lloyd George to task for his failures here, so dazzled have they been by his energies elsewhere.<sup>36</sup> But what, after all, is the point of including the Chancellor of the Exchequer in the War Council if not for him to point out and coordinate the key economic aspects of the war?

Perhaps the only major positive financial development during the remainder of Lloyd George's tenure at the Treasury, the appointment of Morgan's as the British commercial agent in the United States, arose not out of Lloyd George's attending to his duties at the Treasury but, if anything, out of his efforts to take charge of munitions.<sup>37</sup> The first few months of the war saw 'confused and costly buying practices' as the War Office, Admiralty, and Lloyd George all competed with each other and

with their allies for American contracts – including a particularly embarrassing episode in which Lloyd George nearly found himself competing against the War Office for the very same contract with the same American manufacturer. Morgan's was subsequently appointed as the sole British purchasing agent with a mandate to rationalize what had previously been a disorganized mess and thereby 'sav[e] the government millions of dollars'.<sup>38</sup>

The role of British supplier quickly and naturally evolved into that of British banker, a role that perfectly suited Morgan's, which was by far the most powerful of America's banks. The 'bankers' bank and the leader of Wall Street', as it has been called,<sup>39</sup> Morgan's had almost singlehandedly saved the American economy during a severe financial panic in 1907.<sup>40</sup> In 1913, the bank had demolished its old headquarters at the corner of Wall Street and Broad Street in New York City – some of America's most expensive real estate – and promptly rebuilt it at considerable cost. The elegant new building, an ostentatiously modest four stories set amidst skyscrapers, jutted powerfully out towards the intersection at the heart of America's burgeoning financial centre.<sup>41</sup>



5 Headquarters of J. P. Morgan & Co. (Library of Congress/LC-USZ62-124435)

For most Democrats, including the Wilson Administration, the bank symbolized everything wrong with America. Morgan's epitomized the odious and unaccountable 'money trusts', which were regarded as having a deeply malevolent influence over American life.<sup>42</sup> Loyal Republican, the bank returned the Administration's antipathy twice over.<sup>43</sup> Whatever the political drawbacks of banking with antagonists of the President, the British otherwise found Morgan's ideal for their purposes. With convenient sister firms in London<sup>44</sup> and Paris and enthusiastically Anglophile, the bank's knowledge of American markets and suppliers proved invaluable. As did its assets: Morgan's genuinely and fervently supported the



Allied cause<sup>45</sup> – eventually to the point in 1917 of being willing to back Britain with massive financing when the country found itself in the deepest throes of crisis. J. P. Morgan himself would soon take two bullets for the Allies, surviving an assassination attempt by a pro-German fanatic in July 1915.<sup>46</sup>

Try as it might, however, Morgan's could not get Lloyd George to pay attention. Mere finance did not satisfy Lloyd George's 'restless itch for achievement and accomplishment'.<sup>47</sup> Apart from his obligatory presence at financial talks with the Allies, his only real task was to prepare and present two war budgets, which generally went poorly, and he purposefully ignored the advice of his civil servants to increase taxes.<sup>48</sup> As historian Martin Farr has put it: 'It has been offered in mitigation that the Chancellor was too occupied elsewhere to attend to his budget: a defence for a Chancellor voluntarily relinquishing direction and control of the economy without parallel'.<sup>49</sup> In the meantime, he 'presided over the near collapse of morale amongst his officials'. His previous permanent secretary had quit in 1913 over Lloyd George misleading the House of Commons. His current one, the neglected and exasperated Sir John Bradbury, effectively had been left to run the department himself. Bradbury very quickly had enough, telling Asquith during the May 1915 political crisis that he would quit if Lloyd George were re-appointed.<sup>50</sup> For his part, Lloyd George regarded his separation from his top civil servant with equanimity: 'Bradbury', he wrote, 'can go to hell'.<sup>51</sup>

The financial whip was passing from London to New York. While the pound had surged against the dollar at the outbreak of war, by early 1915 the pound came – as it would remain for the duration of the war – under significant pressure. As British war orders in America multiplied, demand for dollars pressed the rate down to \$4.80 per pound. Worrying Morgan immensely, the weight only showed signs of intensifying. Some gold was being shipped to America, and Lloyd George airily waved through a small loan scheme involving Morgan's and a couple of other American banks to support the exchange, but these could offer no more than temporary relief. Despite having the support of the Governor of the Bank of England for stronger steps, neither the Governor nor Morgan's could get the busy Lloyd George, who was consumed with other war matters, even to consider the problem. The Chancellor was "fully occupied" with other pressing matters'. '[K]nowing [the] mentality of the Chancellor', they wrote, it came as no surprise that they could not get him 'to appreciate a difficult situation especially on such [a] complicated matter'. Morgan's concluded that the problem probably 'would have to become worse' before Lloyd George would even look at it.<sup>52</sup>

Undoubtedly, Morgan's was right, though it would not get the chance to find out.

As Britain neglected its growing transatlantic economic problems, on the other side of the Atlantic House refused to give up on his efforts to mediate the war. Though he quickly discovered that it remained far too early, House was beginning to lay the diplomatic foundations for American mediation the following year – by which time Britain's economic problems with America would be at the forefront. In late January 1915, Wilson and House decided to dispatch House to Europe to see whether, as one historian put it, 'the prospect [of peace] was quite as gloomy as it looked'.<sup>53</sup> House almost immediately discovered that it was, in fact, every bit as gloomy as it looked. House instead set about trying to build closer relations with Britain, France, and Germany, aiming to convince all three to make use of the good offices of the President when the time came to make peace. The Allies and Germany had no direct diplomatic relations with each other. A neutral country, therefore, would eventually be needed to facilitate peace negotiations, whatever the military conditions might then be. House sought to ensure that this neutral country would be the United States, and he worked to undermine Wilson's two principal diplomatic rivals, the King of Spain (Alfonso XIII) and Pope Benedict XV: if he could get the two of them 'safely out of the way, there is no one else I can think of in sight'.<sup>54</sup>

At this early stage of the war, House still put strict limits on how far the United States could possibly go in its involvement in peace negotiations. Grey delicately but forthrightly told House that there was no prospect of any kind of peace negotiations in the near future. Once the Allies had made far more military progress, however, Grey actually wanted Wilson to be present at the table for the peace negotiations. Even more importantly, to ensure that this horrible war would never be repeated – and to lock in a European balance of power – Grey wanted the United States to become a guarantor of the peace settlement, perhaps as part of some international organization dedicated to preserving a permanent peace. Both of these possibilities House rejected out of hand. It was 'not only the unwritten law of our country', he told Grey, 'but also our fixed policy not to become involved in European affairs'. 'Mediation' at this point meant only that House wanted the United States – and not Spain or the Vatican – to play the key role in setting up the peace negotiations. Once the conference had been convened, it would be up to the belligerents to sort out the peace terms themselves. Then, after a peace treaty had been agreed, House wanted a second convention bringing the belligerents and neutral countries together. This second

convention would establish new rules for any future wars while also discussing methods of preventing such wars altogether.<sup>55</sup>

All the while, House was telegraphing the President detailed reports of his talks.<sup>56</sup> The pair trusted their insecure coding arrangements completely, which involved combining a State Department code with an additional set of private codewords. House and the President often personally encoded and decoded the telegrams themselves to prevent any possibility of leaks to the press.<sup>57</sup>

As House transmitted his reports, however, British intelligence was hard at work crafting a new tool, one that under different political circumstances might have helped British policymakers to better manage and control their spiralling transatlantic vulnerabilities: solving the American diplomatic codebooks. Instead, this seemingly enormous intelligence advantage actually would serve only to damage Britain's relationship with the United States. The twin British signals intelligence agencies, MI1(b) in the War Office and Room 40 in the Admiralty, began their lives as small teams, and only slowly geared up into the highly organized, complex machinery that they would become. Originally tasked with attacking German military and naval codes, the two agencies steadily acquired more staff and in 1915 began to take on decryption responsibilities going beyond the War Office's and Admiralty's immediate tactical needs. Room 40, named after the group's main room in the Old Admiralty Building, developed out of a need for accurate information about German naval movements. At the war's outbreak, the Director of the Royal Navy's intelligence division, Captain Henry Oliver, tasked his old friend Alfred Ewing with creating a group to work on breaking German naval codes. When Oliver was promoted, Captain Reginald Hall took his place. Hall battled Ewing for control of Room 40, with Hall eventually pushing out Ewing entirely in late 1916.<sup>58</sup> Early in the war, Room 40 focussed almost exclusively on decrypting intercepts of German naval wireless transmissions. Despite some problems with the effective distribution and use of this material, Room 40 generally succeeded in keeping close tabs on the German High Seas Fleet, providing accurate intelligence whenever it set out to sea.<sup>59</sup>

In the autumn of 1915, a separate "political" cryptanalytic division was created, and its primary focus was on German diplomatic codes. This new division essentially reported directly to Hall, leaving Ewing to focus on naval decryption for the next year. While this new division worked on several important German channels of diplomatic communication, including between Berlin and Madrid, it was the Berlin–Washington link that proved the most important to Britain's relationship with America.<sup>60</sup> The problem of how the German Ambassador in Washington, Count

Bernstorff, was communicating with the German Foreign Office bedevilled Room 40's political division for nearly a year, until the late summer of 1916.<sup>61</sup>

From practically the beginning of the war, the Swedes, who were officially neutral, had been covertly helping the Germans with their communications. At first, Bernstorff gave his messages directly to the Swedish legation in Washington, which evaded British cable censorship by disguising them as Swedish diplomatic telegrams to Stockholm. The Foreign Ministry there then retransmitted them to Berlin. In early 1915 – before the political division of Room 40 had been created – the British Foreign Office caught wind of this procedure and issued a complaint, bringing this practice to an abrupt halt.<sup>62</sup> The Swedes, however, would continue to help the Germans by a more indirect route. First Bernstorff would transmit his telegrams to the German legation in Argentina. The Swedish legation there would then transmit the messages to Stockholm, which would then pass them on to Berlin – the ‘Swedish Roundabout’, as it would come to be known. After all, who in Britain would think to carefully scrutinize encoded Swedish communications with South America? Until the summer of 1916, the scheme would work precisely as intended.<sup>63</sup>

MI1(b), meanwhile, can ultimately trace its origins to a primitive pre-war intelligence group. A three-man team was formed at the beginning of the twentieth century within the Military Operations Directorate, which came to be known as ‘MO5a’ and was tasked with studying ciphers ‘among many “odds and ends”’.<sup>64</sup> After war broke out, with the German military on the march in late 1914, the British Army found itself ‘intercept[ing] enemy wireless’ messages, which this group became tasked with deciphering. The Military Intelligence Directorate would be founded in December 1915. The slowly expanding team, which in the interim had confusingly been redesignated MO5e and then MO6b, would immediately be relocated into the new directorate and given the designation that would follow it until 1919: MI1(b).<sup>65</sup>

Its efforts to compile the three US diplomatic codes began sometime ‘early in 1915’, at the same time that the Western Front was becoming static and the Germans were steadily replacing their army wireless communications with telegraph wires. Since those telegraph wires could not be tapped, the work that had consumed the group from the beginning of the war ‘practically dried up’. With spare time on their hands, the budding codebreakers decided to turn their attention to neutral diplomatic codes. Even with the weakness of American codes, an internal official history makes clear that the efforts to solve them were slow going: ‘The work was entirely fresh to all members of the staff, there were no

past records as guidance, and the problem of how to solve large code books had to be thought out *ab initio*.<sup>66</sup> By September, the military intelligence organization largely solved the principal American diplomatic codebooks. By the end of the year, it would be able to read all American telegraphic communications passing between Washington and its diplomatic posts throughout Europe.

When it came to accessing transatlantic communications, MI1(b) and Room 40 enjoyed a massive advantage over their continental rivals. Thanks to the enormous investment of British telegraph companies in the technology over the previous half-century, almost all of the numerous transatlantic cables to North America were under direct British control, as they were connected either to Cornwall, England, or to Kerry, Ireland. This effective British monopoly over the transatlantic telegraph meant that all American diplomatic telegrams to and from Europe had to be routed through Britain – with the cable censors carefully making a copy as they went by. French codebreakers could only get copies of those telegrams sent across France, and German codebreakers could only get ones sent from Germany. MI1(b), by contrast, would get everything.<sup>67</sup>

Fortunately for House, his detailed telegrams to the President this time around seem to have done him no harm. Though MI1(b) would be reading everything when the Texan would next embark on European travels, by the time House sailed home in June 1915, the group, though hard at work on the problem, did not yet seem to have managed any success against his telegrams.<sup>68</sup>

After four months in Europe, House returned seemingly empty-handed. He had, however, established good relations with leaders in London, Paris, and Berlin, laying the groundwork for future mediation initiatives,<sup>69</sup> and he believed that he had succeeded in seeing off the King of Spain and the Pope as potential diplomatic rivals.<sup>70</sup> In particular, he was on warm, intimate terms with Grey – so much so that the Foreign Secretary often talked with House more freely than he did with members of his own government. When significant portions of House's diary were published in 1926,<sup>71</sup> Maurice Hankey, the trusted Secretary to the War Committee, was 'horrified' to discover in the diary matters so sensitive that they could be found in the War Committee minutes that Hankey himself had been recording. These matters even included secret British military plans. House was treated 'on the footing of a Cabinet colleague', Hankey wrote, and 'undoubtedly this was carried too far'.<sup>72</sup> Grey even made secret arrangements to allow himself and House to communicate by telegraph directly, bypassing the ambassadors in London and Washington,<sup>73</sup> and Grey continued to press House about American participation in an international league. 'Germany is the peril today', Grey

counselled House as he was preparing to depart, ‘but the peril will recur every century in Europe, if Europe is left to itself. And the peril now cannot be confined to one continent – the world is too closely knit together’.<sup>74</sup>

While House was shuttling about, the war ground on. The Germans announced the beginning of unrestricted submarine warfare for the first time, and the shocking sinking of the passenger ship *Lusitania* in May 1915, killing nearly 1,200 people of whom 128 were Americans, sent German–American relations into a tailspin from which they would only ever partially recover.<sup>75</sup> Germany’s dramatic actions on the Atlantic grievously offended the Americans; British policy on the seas by contrast annoyed Washington rather as a consistent, irritating hum. Britain’s efforts to close off Germany’s access to the sea lanes provoked a steady drone of American complaints. For now, the Allies’ transatlantic vulnerabilities remained limited. Yet even though these American complaints were not yet backed up by potentially war-ending American economic leverage, Grey proved presciently sensitive to growing US power.

Seeking to mute the irritation as best he could, Grey consistently worked to minimize Anglo-American diplomatic conflict, even at the expense of the efficacy of the British blockade. A recent in-depth, albeit academically controversial, study of the blockade goes so far as to argue that Grey’s deference to the Americans fatally undermined an intended British strategy of economic warfare against Germany.<sup>76</sup> The academic controversy notwithstanding, it is certainly true that Grey made the case repeatedly within the British government about the need to accommodate American concerns, and he often overrode American protests only when the Cabinet ordered him, even from the very beginning of the war. In the earliest example, when Wilson in August 1914 wanted the American government to buy up the German mercantile vessels interned in American ports, a palpable violation of international law, Grey preferred doing nothing. The Cabinet, worried these vessels would be used to ferry Germany supplies, overruled him and insisted he issue a protest; the scheme subsequently died in the US Senate.<sup>77</sup> So began a near-constant buzz of irritation between the State Department and the British government, with Grey typically trying to play intermediary, generally with success. Indeed, a pair of studies focussing on the US perspective marvel at how much of the blockade Grey was able to get the Wilson Administration to acquiesce to. The Americans, they say, would certainly have been within their rights to have put up far stiffer resistance and probably could have forced the British to back down. But both Grey and Wilson tended to prefer accommodation over confrontation, and Grey manoeuvred carefully to try to keep the blockade from becoming

anything more than an annoying Anglo-American buzzing.<sup>78</sup> Its noise level certainly varied, but the din nevertheless would continue almost without interruption through the American entry into the war.

Over on the mainland of Europe, a surprise invasion of the Dardanelles, led by Britain and supported by France, Australia, and New Zealand, aimed to knock the Ottomans out of the war by capturing Constantinople. It failed miserably.<sup>79</sup> The stalemate on the Western Front continued to consolidate, despite offensives on both sides,<sup>80</sup> including for the British a partial success in a relatively small attack at Neuve-Chapelle in March and then a failure in an equally limited offensive at Aubers Ridge in May.<sup>81</sup> The Commander of the British Expeditionary Force, Sir John French, provoked a serious political crisis following the May defeat. He had assured the War Office that he had sufficient guns and ammunition before the attack, but then afterwards, in a politically devastating leak to *The Times*, he blamed the loss on the government, charging that it had failed to equip his troops with adequate weaponry. Under threat of open Conservative attack in Parliament amidst the resulting 'Shells Scandal', Asquith moved to bring the Conservatives and the much smaller Labour Party into a government of national unity, with a necessary reshuffle.<sup>82</sup>

Heeding Bradbury's advice, Asquith got Lloyd George away from the Treasury, compensating him with the privilege of being Man of the Hour by putting him in charge of new Ministry of Munitions. Keen to avoid any appearance of being demoted, Lloyd George insisted that he was being moved out of the prestigious Exchequer only 'temporarily', a contention that has been rightly rejected on '[t]he grounds ... that it makes no sense'.<sup>83</sup> Lloyd George's Liberal arch-rival, a man in whom the Prime Minister had far greater financial confidence, Reginald McKenna, rose to the Chancellorship.

When McKenna stepped into the Treasury for the first time on 25 May 1915, the bureaucrats rejoiced 'with an ecstasy'. 'It is glorious to see how happy the civil servants are', reported Edwin Montagu, returning to his post as Financial Secretary, the second-ranking ministerial job, after a four-month hiatus. 'They at last believe they can trust this Chancellor not to give them away and to do business instead of avoiding it'.<sup>84</sup> The Liberal McKenna's promotion to Chancellor, when Asquith's new Conservative coalition partners had a strong claim to the office, represented Asquith's lack of trust in the abilities of the Conservative leadership as well as his determination to show that the new coalition was being formed on his terms.<sup>85</sup> Asquith regarded McKenna as one of the most

capable men in his Cabinet, and certainly so on matters of finance. A competent and reliable manager who happily delved into his department's day-to-day work, McKenna had previous experience at the Treasury, enjoying success as Financial Secretary beginning in late 1905 under Asquith as Chancellor.<sup>86</sup> Though some found Asquith and McKenna 'in some ways a curious pairing',<sup>87</sup> they complemented each other well. Abrasive and blunt, McKenna had a sharp edge that the ever-tactful and socially adept Asquith frequently found himself needing to smooth over. Unlike his Prime Minister, McKenna could be awkward and was generally unpopular – except with his civil servants, in whom he consistently inspired devotion.



6 Reginald McKenna (Library of Congress / George Grantham Bain Collection / LC-B2-6056-2)

Whatever their differences of personality, Asquith and McKenna shared a similar temperament, proceeding always in a deliberate and considered way. They found that they liked each other immensely and formed a close political partnership. So impressed had Asquith been with his deputy's work that, when Asquith took the premiership in 1908,



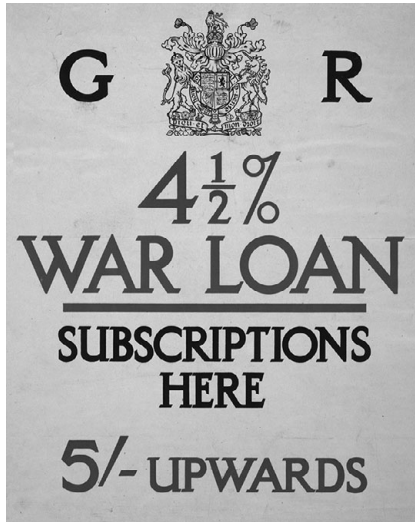
McKenna was the top choice at the Exchequer for both the new Prime Minister and the civil servants at the Treasury. The ambitious and ever-intriguing Lloyd George outmanoeuvred them. Lloyd George had been an energetic President of the Board of Trade, and, always taking care that his successes were widely publicized, he had already begun building up a significant personal following in the country. Lloyd George 'put a pistol to Asquith's head', demanding the Exchequer for himself and threatening to resign if not promoted. Throwing up his hands, Asquith handed McKenna the Admiralty instead, and then the Home Office in 1911, both offices in which he excelled.<sup>88</sup>

That incident in 1908, however, began a spiralling deterioration in relations between Lloyd George and McKenna, which by 1915 had descended to a point of mutual hatred. As historian Martin Farr has put it, the 'feud between McKenna and Lloyd George reached a malevolence exceptional even for the ill-tempered and antagonistic coven of which it was the centre'.<sup>89</sup> Where McKenna and Asquith made for a complementary pairing, McKenna and Lloyd George were polar opposites in almost every way. When it suited Lloyd George's purposes, he had no compunction about saying one thing to one person at breakfast and the opposite to another before lunch (such a situation is discussed in Chapter 7). Although McKenna could stay quiet when he needed to, Lloyd George's more scrupulous rival would prefer to say precisely what he thought at both meals, usually not much caring if he offended at either or both. He loathed Lloyd George's belief in malleable truth and referred to him as 'Liar George' when writing to anyone he trusted. He detested Lloyd George's impulsiveness: 'Prevision is not Lloyd George's strong point', he complained. 'His peculiar genius is an exact appreciation of public feeling at the moment', with no regard for future consequences. Lloyd George, in turn, found his colleague's staid manner intolerable. Referring to another even-tempered colleague, Lloyd George wrote that this other colleague nevertheless 'has a quixotic strain, say 20%. But it is there. McKenna has no 20%!'<sup>90</sup> Lloyd George craved and lapped up public adoration, after the war penning some 3,500 pages of memoirs spanning six volumes.<sup>91</sup> McKenna viewed the public with indifference, and the public tended to view him the same way. After the war, he refused a knighthood and a peerage, declined interviews, and beat away publishers. After the publication of a particularly venomous volume of Lloyd George's memoirs – even Lloyd George worried he may have included 'too many digs at McKenna' – McKenna wrote to a friend about his refusal to engage publicly with 'Liar George': 'My own view

is to disregard everything he says. Don't forget the old warning – “never get into a fisticuffs with a chimney sweep.”<sup>92</sup>

Seeking to remedy what he saw as the ‘hopeless financial disorder’ left in his predecessor’s wake at the Exchequer, McKenna went immediately about turning the lights back on.<sup>93</sup> Ten months later, the Treasury was finally mobilizing as a key department in the war. The new Chancellor, ‘a little rattled and overwhelmed by the magnitude of the task’,<sup>94</sup> struggled amidst an avalanche of responsibilities, including in his first days an obligatory but ill-timed mission to meet with his country’s newest ally, the Italians, who had just been induced to join the Allies with dangled promises of swathes of Austro-Hungarian territory.<sup>95</sup>

Soon, the Treasury would be completely consumed with the problem of sustaining the alliance’s insatiable demand for American supplies, to the point that McKenna and his allies in the Cabinet would favour completely reorienting British strategy around it and eventually seeking to end the war. For now, however, with everything else going on, though attuned to the problem of the American exchange, at first McKenna and his subordinates underrated it. They believed it could be solved as part of a larger, urgent British fiscal initiative, the Second War Loan, and that the problem needed nothing more than temporary expedients until this larger scheme got off the ground. The loan sought to raise an unlimited sum, and upped the interest rate from Lloyd George’s previous issue by a percentage point to 4.5 per cent.<sup>96</sup> Lloyd George later slammed the higher interest rate as unnecessary and wasteful<sup>97</sup> – a particularly rich critique given that Lloyd George’s previous attempt to raise funds, the First War Loan, had barely managed to raise a bit more than half of its announced £350 million target. The Bank of England had helped Lloyd George cover up the failure, secretly providing the rest of the funds so that the Treasury could falsely claim the loan was oversubscribed.<sup>98</sup> In any case, Lloyd George’s criticism ‘assumed the loan was concerned with investors’ money, whereas its objectives were deflationary, political, and determinedly Atlanticist’.<sup>99</sup> McKenna sought primarily to sop up spending power amongst the public so as to reduce inflation and imports, to boost confidence, and, especially, to encourage American investment capital into British coffers. The interest rate needed to be, as one civil servant wrote, ‘dear enough to tempt New York to invest in sterling’,<sup>100</sup> where prevailing interest rates for long-term bonds were similarly around 4 per cent.<sup>101</sup> McKenna expected the resulting investment flows from America to effect a ‘substantial rebound’ in the exchange.<sup>102</sup> The loan, he planned, would solve all of Britain’s financial problems at a stroke.



7 British war loan poster from 1915 (Library of Congress / POS-WWI-Gt Brit, no. 198)

It did not work out that way. The loan provided a massive £570 million boost to the government's domestic funds, diverting into government coffers funds equivalent to about one-fifth of UK GDP, but very little of that came from New York. What little that did come across the Atlantic was able to provide only 'modest and temporary relief' on the exchange.<sup>103</sup> As the *Wall Street Journal* put it, 'our bankers do not care to invest'.<sup>104</sup> This pursuit of capital inflows from America to offset the British trade deficit proved not so much a financial avenue as a dead end. Given the massive sums required, at best this could only help at the margins. Perhaps the flipside of this situation was more important: nothing should be done to spook Americans into pulling any monies already in Britain home and making a grave situation that much worse. American capital in Britain may have paled in comparison to the reverse, but it was not exactly trivial. The Bank of England estimated that foreign deposits in Britain totalled at least \$500 million and 'probably reach a much higher figure'.<sup>105</sup> The spectre of a collapse in confidence triggering capital flight sharply circumscribed the Treasury's options. Any draconian solutions to Britain's financial problems, were they to set off a panic, would carry the considerable risk of doing far more damage than good. 'Confidence is essential at all costs', the Bank of England was warned.<sup>106</sup> Even worse, this worry formed one axe of many that the American

government constantly held over McKenna's head, as a simple adverse US government statement could easily frighten American capital into taking flight. American money already in Britain needed to stay there.

The day after the Second War Loan applications closed in mid-July, a Morgan's representative was already meeting with McKenna to warn that the situation required urgent action. The loan making little difference, continuing demand for dollars had pressed the exchange rate down to \$4.77, a deviation of nine cents from par, and despite Morgan's attempts to support sterling at that level, the situation seemed only likely to worsen. At the moment, conditions seemed abnormal and under pressure but stable. Morgan's worried: were the rate to break the psychologically important ten-cent deviation barrier, American markets might begin to wonder whether something was quite wrong, and then move accordingly. Though the British were alert to the problem – Morgan's even had a meeting with an attentive and troubled Asquith over the issue – the government nevertheless found itself paralyzed by debate and infighting. The 'autocratic' and strong-willed Governor of the Bank of England, Lord Cunliffe, whose relations with the abrasive McKenna were already severely strained, continued to insist that foreign exchange, traditionally the bank's responsibility, should remain the bank's responsibility, and he resisted McKenna's attempts to take charge. A frustrated Morgan's wished a 'pox on all their houses', believing that none of them were taking their country's predicament seriously enough.<sup>107</sup>

Predicament became crisis on 21–22 July, when Morgan's warned that their previously agreed-upon measures for containing the pressure to \$4.77 had reached exhaustion. The government could either act or allow the barrier to be breached. At an emergency meeting, Cunliffe asked McKenna what they should do; McKenna sarcastically replied that he thought that 'this is what you call a matter of exchange. Is it not for you', but then moved quickly. McKenna arranged a gentleman's agreement with Prudential Assurance, an insurance company, whose headquarters lay less than two miles from the Treasury and which had \$40 million in American investments. The Treasury got permission to mortgage these securities, which it did with Morgan's help, and topped them up with a modest Canadian loan and further gold shipments. Morgan's continued to be able to contain the ongoing pressure to \$4.77, at least for another few weeks.<sup>108</sup>

This financial avenue – the selling or mortgaging of American investments owned by British citizens or companies – would form the principal boulevard on which the British would travel in offsetting their trade deficit over the next two years. Britain's decades of acting as the world's

banker gave them an enormous reservoir of foreign investment upon which to draw. Possessing a sprawling commercial empire, Britain had foreign investments in 1913 approaching \$18 billion,<sup>109</sup> a massive sum equal to over a year-and-a-half of Britain's entire economic output. Of this, about \$4.25 billion had been invested in the United States, a majority of which in its railroads. The ability to liquidate this economic empire provided the British with an extraordinary international reserve. Had the United States been a more outward-looking country – with adventurous investors eager to snap up Britain's worldwide commercial holdings – this reserve could have easily provided the Allies with a number of years' worth of massive American war imports. The United States, however, had long been a debtor nation, not a creditor one. American investors were a provincial lot. For most of them, their interest in opportunities outside their own borders could, on occasion, be made to reach as far as Canada.<sup>110</sup> As one Canadian observer wrote after the war:

Borrowing in New York is very different from borrowing in London. London has been for generations an international money market ... The public in the United States had no such experience. They found all the investments they needed in their own country and had little knowledge of foreign investments. Canada they knew [only] because we were their next-door neighbour.<sup>111</sup>

The usefulness in New York of Britain's international reserve, therefore, did not much extend beyond British investment in American rail. But this supply was still formidable, and, with American investors more than happy to have these assets, they formed a large and reliable source of funds. Indeed, a key problem was, as the *New York Times* put it, 'no one kn[ew]' precisely how large this source was.<sup>112</sup> The figure of \$4.25 billion was carefully tabulated by economic historians years later. The only thorough estimate at the time, from 1910, put the total at only \$3.3 billion – meaning that Britain had a moderately larger US investments reserve than it thought.<sup>113</sup> Of course, as a tool of trade these investments had some limitations. If sold, the investments had to be sold at a careful pace: if too many were sold too quickly, their price would collapse. If mortgaged, someone had to be found that was willing to lend upon them. Above all, like gold, these investments were a limited resource: once exhausted, they could not be renewed.

If McKenna and his colleagues at the Treasury had underestimated the gargantuan task that lay in front of him before these difficulties, distracted by the sudden sea of work – McKenna had, after all, been in post for only eight weeks – they would never make that mistake again. Even in the midst of the crisis, McKenna recognized its wider

implications, warning his colleagues that further disruption to the British economy ‘would render our financial task so difficult and burdensome as disastrously to impair our financial position and imperil the supply of food, raw materials, and munitions to this country and our Allies’.<sup>114</sup> He complained that the Treasury had neither ‘control nor precise knowledge’ of munitions purchasing in the United States, and asked Lloyd George to curtail his American orders. Lloyd George, who considered the situation little more than a temporary aberration worsened by McKenna’s incompetence – after all, they had had no such problems when Lloyd George had headed up the Treasury – refused to comply.<sup>115</sup>

For the next few weeks, McKenna and his team devoted their energies to carefully studying the problem. Morgan grew impatient. It was bearing the immediate brunt of the situation, privately slamming McKenna in frustration for relying on his team of ‘second class advisers who really cannot do anything for him’.<sup>116</sup> Considering that his team included the highly competent John Maynard Keynes, soon to become one of the greatest economists of the twentieth century, Morgan’s assessment seems to have been more emotional than considered. The Treasury’s delay was due not to ‘complacency, but rather deliberation in lieu of precedent’, a not unreasonable defence considering the complexity of the technical issues involved as well as the completely uncharted waters in which it found itself.<sup>117</sup> Perhaps moving with careful deliberation was wise, for it seemed to have come into the next crisis with a strategy to respond. But the Treasury did little to head it off.

While the Treasury cogitated, Lloyd George did everything in his power to make the next crisis much worse. Lloyd George has been heralded as the ‘wizard’ at the new Ministry of Munitions; he waved his organizing wand and commanded British munitions production to soar – and soar it did.<sup>118</sup> Lloyd George, however, had precisely the same attitude to the United States, without any regard for the financial consequences. Upon taking office, Lloyd George looked across the Atlantic and just about wrung his hands with glee: ‘From what I hear we can enormously increase the American output, and what is equally important, we can expedite it’.<sup>119</sup> The new Munitions Minister ‘has absolutely no knowledge of what millions mean’, Morgan’s concluded after a meeting in his new office, with the investment bank ‘expect[ing] him to order several thousand million sterling of various articles’ both in Britain and in America.<sup>120</sup>

Having ended the Treasury’s control over war expenditures, Lloyd George now made use of that absence of restraint to the utmost. ‘Plac[ing] more and still larger orders with American manufacturers, giving little thought to how they were to be paid’,<sup>121</sup> an explosive orgy

of spending followed as Lloyd George sought to press American capacity fully into Allied service. By October, the Ministry of Munitions had already placed orders in the United States amounting to \$500 million and hoped to place many more.<sup>122</sup> (For context, US GDP in 1914 was about \$37 billion, Britain's about \$12 billion.)<sup>123</sup> There was only so much Morgan's could do to cut costs. It is difficult to shop around effectively for bargains when one has been instructed to go into every store and buy out their contents. And these munitions were expensive: 'Munitions bought in the United States were always costly as compared with prices and costs in the United Kingdom'.<sup>124</sup> By the end of the year, both Morgan's and Lloyd George's own personal American representative, who had just returned to Britain, agreed that 'the ministry should refrain from placing any further munition orders in the United States at all, since the capacity of currently capable firms was fully taken up'.<sup>125</sup> Even then, Lloyd George remained determined to keep on spending. His next American representative, the abrasive E. W. Moir, would be dispatched with plenary power to place still further orders without even going through Morgan's.<sup>126</sup>

And so Lloyd George spent as McKenna studied. All the while, the purchasing in America of Britain's allies, especially Russia, kept growing, with Britain increasingly picking up the tab.<sup>127</sup> A surge in world food prices at harvest time – Britain imported a majority of its food – compounded the situation.<sup>128</sup> The British were importing more goods at higher prices from the United States than ever before, with imports soaring from \$674 million in 1914 to at least, and probably well over, \$1.1 billion in 1915.<sup>129</sup> Grey, ever sensitive to American opinion, had no choice but to add to the Treasury's anxiety. Since the beginning of the war, British blockade policy had been to buy, rather than confiscate, intercepted American contraband headed to Germany. Amid a heavy Conservative press campaign, the coalition Cabinet decided in July 1915 to add cotton, which was used in the making of explosives, to the list of forbidden goods. They did so over Grey's objections. Grey had consistently resisted earlier pleas to add cotton to the list of contraband, and for good reason: the likelihood of a collapse in cotton prices imperilled powerful producers in the American South.

The predictable ensuing political storm in America – worsened by a pair of smaller but ill-timed British blockade actions simultaneously offending the Midwest and East – swirled so malevolently that there was open talk of Congress imposing an arms embargo against the British.<sup>130</sup> 'Should [the] British Government do this Congress probably would retaliate', House warned bluntly in a cable he dispatched across the Atlantic. 'The matter is of extreme urgency'.<sup>131</sup> Even if the

Americans did not go that far, the Anglo-American economic balance of power was rapidly shifting, and the US government was increasingly in possession of plenty of ways of making life very difficult for the British. House counselled restraint to the President, but astutely noted the difficulty of Grey's position, telling Wilson that Grey 'will go to almost any limit rather than [let things] come to the breaking point'.<sup>132</sup> The Foreign Secretary tried without success to get the Cabinet to back down, but in the end he salvaged the situation with a potentially expensive promise: to buy vast amounts of American cotton to support its price at ten cents per pound, at a projected cost of \$100 million.<sup>133</sup> Morgan's initially blanched at the additional undertaking, thinking the task 'impossible',<sup>134</sup> but the burden on British expenditure actually would prove surprisingly short-lived. Amid an unexpected surge of US domestic demand, within two months cotton hit twelve cents per pound. Indeed, soon the British would have the reverse problem: the price of cotton surged to twenty-four cents by the end of 1916, making army uniforms all the more expensive.<sup>135</sup> For the moment, however, this obligation merely added to the 'heavy pressure' weighing on the pound. The pound slipped a cent during the first half of August to \$4.76. Even the US Treasury was getting nervous: the exchange rate remained distressed, sitting ten cents away from where it ought to be, with no sign of an easing back to normality in sight.<sup>136</sup>

Distress, rather, was becoming normal. In only a year, the two countries' longstanding economic relationship had abruptly lurched into reverse. British investors had for decades been willing to finance an American deficit as they steadily acquired billions of dollars' worth in US investments. This gave the British an enormous reservoir of American railroads and other holdings that would provide them with a crucial cushion in the time of trial ahead. Now that the British were finding themselves in the reverse situation, however, American investors seemed to have no enthusiasm to return the favour. If the British intended to settle in for a long war and to use the United States as their crucial supply base, they needed a strategy.