

Confidential

1939

No.

13 of 1939

Secretary of State

SUBJECT.

1939

15th September

Previous Paper.

Nil

Strain of a prolonged war -
Govt. activities to continue
where no difficulty is found
in financing from local revenue.

MINUTES.

①

Circular No 54 Financial of 15th Sep. 1939.
Confidential

YK.

Submitted. If the income
heavy expenditure consequent on the
war is to be continued the
revenue together with the
general revenue (surplus) balances
will be totally inadequate to
meet it.

MCH

CS
18.9.39.

I quite agree
The whole of the expenditure
attributable to the war will have to be
charged to surplus balances (if any) and
the known fund of £50000. The
Estimates should be based on that

Subsequent Paper.

Assumption.

Will you please proceed with the Estimates of ordinary expenditure accordingly cutting out or reducing to a minimum such items as the cost of labour for the Agric. Dept. and any non essentials. The P.W.D. vote for Recurrent expenditure cannot be reduced from this year and having regard to the state of the roads may require some increase.

Adjutant F.I.D.F. should at the same time be called upon for an estimate of war expenditure based on the assumption that only Stanley defences and four outside coast watching stations will have to be maintained. Stanley Defences can only look out stations at Eliza Cove Pt. William Hookers Point and probably Wall Cove

Minute to Adjutant F.I.D.F.
19/9/39
20/9/39.

C.S.O. No. C/3/39

Inside Minute Paper.

Sheet No. 1

3 - 4.

S. of S. Conf. Circ. of 3/11/39.

See S/38/39 Income Tax re.
with
cf.
12.2.40

L. F. S.

N. C. S.

See. Thank you.

As. B. Smith.
J. C.
15/2/40

DECODE.

TELEGRAM.

From Secretary of State for the Colonies.

To His Excellency the Governor.

Despatched: 15th September, 19 39. Time: 1715.

Received: 15th September, 19 39. Time:

Circular No. 54. Confidential Financial. It must be appreciated that, as the strain of a prolonged war on Empire resources is likely to be great all expenditure by Government (indeed by general public) should, as far as possible be avoided which (a) involved use of foreign exchange (as to this see my Circular telegram No. 21 of August 29th) or (b) creates demand for unessential goods and so deflects men, material and shipping from war purposes. In this connection you will appreciate that it will be very desirable to replace imported goods of all kinds especially foodstuffs by local produce whenever possible.

Paragraph 2 Subject to considerations at (a) and (b) above I should like to see present activities of the Government continue on the scale at present approved or in contemplation, in all cases where no difficulty is seen in financing them from local revenue. But in those Colonies where difficulty is already being experienced or is likely to be experienced in balancing the budget, or where Colony is already in receipt of Treasury assistance, I should be glad of an indication as early as possible of the nature of economies you would be forced to introduce were you to be called upon to carry on without Treasury assistance of Colonial Development Fund Money for the period of the War.

Paragraph 3 I am anxious to see existing social services and development activities disturbed as little as possible, both because serious retrenchment and consequential curtailment of services might have very unfortunate effects on Colonial peoples and also because on grounds of policy it is important to maintain our reputation for enlightened Colonial Administration. In particular I am anxious to

avoid/

avoid any retrenchment of personnel.

Paragraph 4 The information asked for in Paragraph 2 is required merely to assist me in discussion with Treasury and does not indicate any decisions on major questions of policy involved. In any event no retrenchment or curtailment of services should be undertaken pending further instructions.

SECRETARY OF STATE.

No.

CONF: 13 of 1939

MINUTE.

September 20th 1939

(It is requested that, in any reference to this minute, the above Number and the date may be quoted).

From Colonial Secretary.

Stanley.

Stanley, Falkland Islands.

To The Adjutant
Falkland Islands Defence Force,
Stanley.

I am directed by the Governor to request you to furnish an estimate of war expenditure based on the assumption that only Stanley defences and four outside coast watching stations will have to be maintained. Stanley defences can omit look out stations at Eliza Cove, Mt. William, Hookers Point and probably Watt Cove.

The Estimate is required for the year 1940 and should be furnished as early as possible, please.

in CH
C.S.

c/13/39.

4



CIRCULAR.

CONFIDENTIAL.

DOWNING STREET,
3rd November, 1939.

Sir,

Red ①
✓

In my confidential circular telegrams Nos. 54, 62 and 72 I have already drawn the attention of Colonial Governments to the necessity of closely scrutinizing all items of expenditure on the one hand and of conserving or increasing all possible sources of revenue on the other, with a view to ensuring that each Colony makes the maximum contribution to the common war effort which its circumstances permit.

2. The response which I have received to these telegrams reveals a general readiness on the part of Colonial Governments to make such a contribution ; and I take this opportunity of expressing my satisfaction at the determination with which the necessary sacrifices are being faced.

3. In many cases I am in communication with individual Governments on particular problems presented by the preparation of their Estimates for the coming year, while in others the Budget has already been presented to the Local Legislature. But in order that you and your advisers may appreciate both the magnitude of the war expenditure with which His Majesty's Government in the United Kingdom is faced, and the steps that are being taken in this country to exercise the strictest economy over the whole field of public expenditure, I enclose a copy of a Treasury Circular which has been issued to all Government Departments here.

28.9.39

4. I fully appreciate that conditions differ widely not only between individual Colonies but also between the Colonies as a whole and the United Kingdom, in respect of both the nature and the order of the economies which can be effected without endangering the economic life and tranquillity of the territories concerned. But where services, though not essential to meet war requirements, are in your judgment fulfilling public needs of so pressing a character that they cannot properly be curtailed, there is all the more reason why they should be administered in the most economical manner possible.

Red ①

5. I have already informed you in my circular telegram No. 54 that I am anxious to avoid retrenchment of personnel ; while I am aware that in some Colonies the total expenditure on personal emoluments represents a heavy proportion of total recurrent expenditure, I feel sure that the Colonial Service is none too large for the tasks that lie before it. We may before long be faced with a shortage rather than an excess of man-power. But it is obviously incumbent upon each Government to ensure that the available staff is employed in the most economical manner, and if necessary to review its organization so as to eliminate unessential processes and unproductive effort of any kind.

6. In the same telegram I have also expressed the hope that existing social and development services should be disturbed as little as possible. The standard at which these services can be maintained will necessarily be governed by the extent to which funds can be provided, either from the increased taxation already passed or proposed, or in some Colonies by the extent to which funds can be made available by His Majesty's Government in the form either of grants-in-aid or of

The Officer Administering
the Government of

grants from the Colonial Development Fund. It is clearly difficult, if not impossible, to forecast with certainty what such taxation will bring in until the results of war conditions on trade have become more apparent ; while the extent to which His Majesty's Government will be able to render assistance is also governed by similar factors. None the less, if I am satisfied that a Colonial Government, after making all due efforts, cannot carry on without financial assistance, I shall naturally do my best to secure that the necessary funds are made available from the United Kingdom Exchequer.

7. In these circumstances, I have already suggested to Colonial Governments in Africa that they should consider the desirability of introducing a provisional Budget for 1940 ; but in those Colonies where the Estimates are already in an advanced state of preparation or have actually been presented to the local Legislature, it will no doubt be appreciated that it may be necessary to introduce some form of supplementary Budget later in the year when the general financial position becomes clearer in the light of actual experience and of the final statement of policy to which I have referred above. In the meantime I can only request you to urge upon all spending Departments the necessity of exercising the maximum economy compatible with the retention and efficient use of existing staff. You will appreciate, I am sure, that even in those Colonies where the exercise of such economy is not essential in order to avoid a Budget deficit, it is none the less of the first importance that such economies should be observed, since the maintenance of surplus balances in this country is in itself some contribution to the financial strength of Great Britain.

I have the honour to be,

Sir,

Your most obedient, humble servant,

MALCOLM MACDONALD.

Further copies of this Circular may be obtained upon application on the usual Form of Demand, at
His Majesty's Stationery Office, Shepherdess Walk, N.1.



Telephone No. : WHITEHALL 1234.



TREASURY CHAMBERS.

F. 16225

28th September, 1939

Economy in Public Expenditure

Sir,

The Lords Commissioners of His Majesty's Treasury direct me to draw your attention, as a matter of extreme urgency and importance, to the need for economy in public expenditure.

The original Estimates for the current year, together with Supplementary Estimates presented up to the beginning of August, provided for a total expenditure, exclusive of self-balancing items, to be met from revenue of £950,911,000, to which must be added a sum of £502,430,000 in respect of expenditure on defence which will be met from moneys borrowed under the Defence Loans Acts. Since these Estimates were approved, however, Parliament has made available for the purposes of the present war a Vote of Credit amounting to £500,000,000, thus bringing the total estimated expenditure so far approved for the year to a sum of £1,953,341,000.

The successful prosecution of the war will clearly involve a financial effort of unprecedented magnitude, and, as stated by the Chancellor of the Exchequer in the House of Commons on the 21st September and re-emphasised by him in the course of his War Budget speech, His Majesty's Government are deeply impressed with the imperative necessity of husbanding the financial resources of the country so as to make them available to the utmost for the purposes of the war. Having regard to the vast total of the expenditure already provided for, to the inevitable increase in the rate of expenditure as the war proceeds and to the heavy increases in taxation which have been imposed, it is clear that the strictest economy must be exercised over the whole field of public expenditure. My Lords must therefore ask that you will undertake a careful examination of every item of expenditure by your Department, whether already sanctioned or in contemplation, with a view to eliminating all services which are not essential to meet war requirements or other pressing public needs and to securing that such services as must be carried on are administered in the most economical manner. I am also to ask that you will submit to Them at the earliest practicable date, and in any case not later than the end of October, a report, in triplicate, on the steps you have taken or propose to take to give effect to Their request and on the consequential savings in the expenditure of your Department during the current and future financial years.

My Lords take this opportunity of emphasising that They will not be prepared in any circumstances to sanction provision in the Estimates for 1940 for any new services in regard to which it cannot be clearly demonstrated that they conform to the requirements of this letter.

I am,

Your obedient Servant,

HARRY CROOKSHANK.

To the Accounting Officer.