



# THE MACHINERY OF ECONOMIC WARFARE: BUSINESS NOT AS USUAL

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Throughout the history of nations mobilizing to harness all of a state's power in pursuit of modern warfare in the 20th century the need to connect the managerially expertise and subject matter capabilities of industrial, corporate and financial leadership has been a significant factor in the success of those nations' war efforts. The ability to harness private sector talent to bring a level of competence and ability to the procurement, distribution, financing and overall complex management of a national war effort was critical to quickly and efficiently creating a total war effort. Areas of new technological development, management, legal, accounting and commercial methods all demanded capabilities beyond the ability of Government to provide, be it in the numbers, networks, experience or the skill sets required. This transition and adaption of the private into the Government sectors, with an accompanying desegregation of power and authority, is known as breaking the "business as usual" mindset. Instead of the two sectors being in competition and stove-piped in terms of information flows and bureaucratic integration for creating power in support of the national security policy, within this integrated system the most able attributes are applied to the correct problem set to gain maximum efficiency in terms of costs, output, adaptation, and resilience.

In the United States, "dollar-a-year men" were business and government executives who helped the government mobilize and manage American industry in areas of munitioning, transportation management, ship building, factory organisation, and just general industrial production and distribution throughout a wide range of goods and services. While they received only a dollar in salary from the government, most executives had their salaries paid by the companies. During World War I, the Advisory Commission to the Council of National Defence was staffed largely by dollar-a-year men, including Bernard Baruch, Robert S. Brookings and Herbert Bayard Swope.

In Canada during the Second World War, C.D. Howe, Canada's "Minister of Everything", created a rearmament program using "dollar-a-year men". This mobilization of talent included John Wilson McConnell, the owner and publisher of the Montreal Star, who was appointed Director of Licences for the Wartime Trade Board, a position for which he served in for free throughout the war.

British efforts in both World Wars, as well as the interwar, included such examples as Admiral Jacky Fisher's establishment of the Board of Invention and Research, which later included the Munitions Inventions Department and Air Interventions Committee, all based on the secondment of university and industry technical expertise. As well, the famous, or infamous use of newspaper magnate Lord Beaverbrook by Prime Minister Winston Churchill to direct aircraft production for the RAF during World War II and his relationship with physicist Professor Lindemann regarding the development of new weapons are part of this integration story. Churchill was simply replicating examples of such secondment activity in World War I which he had witnessed in the Asquith and Lloyd-George Governments. At that point the British war effort was in desperate need of expertise in support of the munitioning, railway management, food supply and distribution and shipping management. Munitioning is a classic example of that transitioning from business as usual, although it is important to bear in mind that this took place across the entire national grid of business, finance and commerce. In 1915 David Lloyd George described the newly formed Ministry of Munitions as 'from first to last a business man organisation'. He believed that business skills rather than civil service training were required to increase the production of arms. While the private sector were not pleased by the high degree of state interference, this was perhaps mitigated by the recruitment of prominent businessmen to run and advise the new Ministry. In this way, although the state was displacing the market it was not necessarily displacing business.



There is clear evidence that senior members of certain industries (arms, steel, coal and mining generally, railways, transport, and chemical industries) were recruited by the Ministry into senior and advisory positions where they could have influence over decisions relating to contracts to certain companies, prices of certain goods and commodities, priorities associated with certain types of production and so on.

It is surprising, and perhaps indicative of the degree of concern at the time, that recruitment of staff was relatively uncontrolled. A detailed interim report on the organization and structure of the Ministry written by two senior civil servants in early 1916 shows there were few, if any, proper procedures in terms of deciding which jobs were needed, how many of them were needed and how they should be filled. More care in the oversight of the integration of the private into the public sector here was required but finding senior officials or politicians with that knowledge and authority is a massive challenge, but one that is crucial if long-term wastage is to be avoided. The munitioning issue, if it had been addressed pre-war, would have been much more effectively managed. This was one of the reasons behind the creation and implementation of a permanent Ministry of Economic Warfare with associated sub-departments that would become part of the British formal government machinery after World War 1, making the World War 2 experience

much less traumatic in terms of the public/private integration for economic warfare purposes. Financing war was also a massive challenge in both the First and Second World Wars. British efforts to link national banks, along with international partnerships such as those with J.P. Morgan, proved the power of the City, when properly integrated into the government war effort. In both circumstances the ability of the British war machinery to successfully grow a complex eco-system of trade, finance, commercial and communications networks linked to the strategic direction of the war effort but still maintaining crucial domain independence proved a critical war-winning aspect of strategic resilience. Today, in a period of undeclared war, the UK's need to great these private/public interfaces in crucial sectors is even more paramount given the larger levels of uncertainty that exist. The idea of a Defence, Security and Resilience Bank, closer ties to technology leaders in cyber, space and other defence and security sectors, as well on the expertise of banks and industry to protect and secure their own domains against attack or provide data for offensive economic warfare operations. Until this integration takes place in a conscious and coordinated fashion, instead of a random and ad hoc series of unconnected initiatives, the UK's massive yet latent ecoindustrialtechfinance power will not become the leveraging power-base that it could be.

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## FURTHER READINGS:

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### Further Readings:

The Secretary of State for Net Assessment and Challenge Office has held a workshop on this issue of the machinery for the management of economic warfare. The proceedings and report from that workshop can be obtained from the ECCRG upon request. The panel of experts on this subject included: Dr. Christopher Phillips, History Department, Aberystwyth University; Dr. Eric Golson, Associate Professor of Economics, Surrey University; Professor Jonathan Agar, University College London, Department of Science and Technology Studies; Professor Greg Kennedy, ECCRG, King's College London.

Jack Conolly, "The Fourth Fighting Service: The Early Development of British Economic Statecraft", Blavatnik School of Government, 2024,

Cuff, Robert D. (1967). "A 'Dollar-a-Year Man' in Government: George N. Peek and the War Industries Board". *The Business History Review*. 41 (4): 404–420. doi:10.2307/3112648. JSTOR 3112648. S2CID 154842124.

Stuart, Jeremy (2013). [Captains of Industry Crewing the Ship of State: Dollar-a-Year Men and Industrial Mobilization in WWII Canada, 1939-1942](#) (PDF) (Thesis). University of Calgary.

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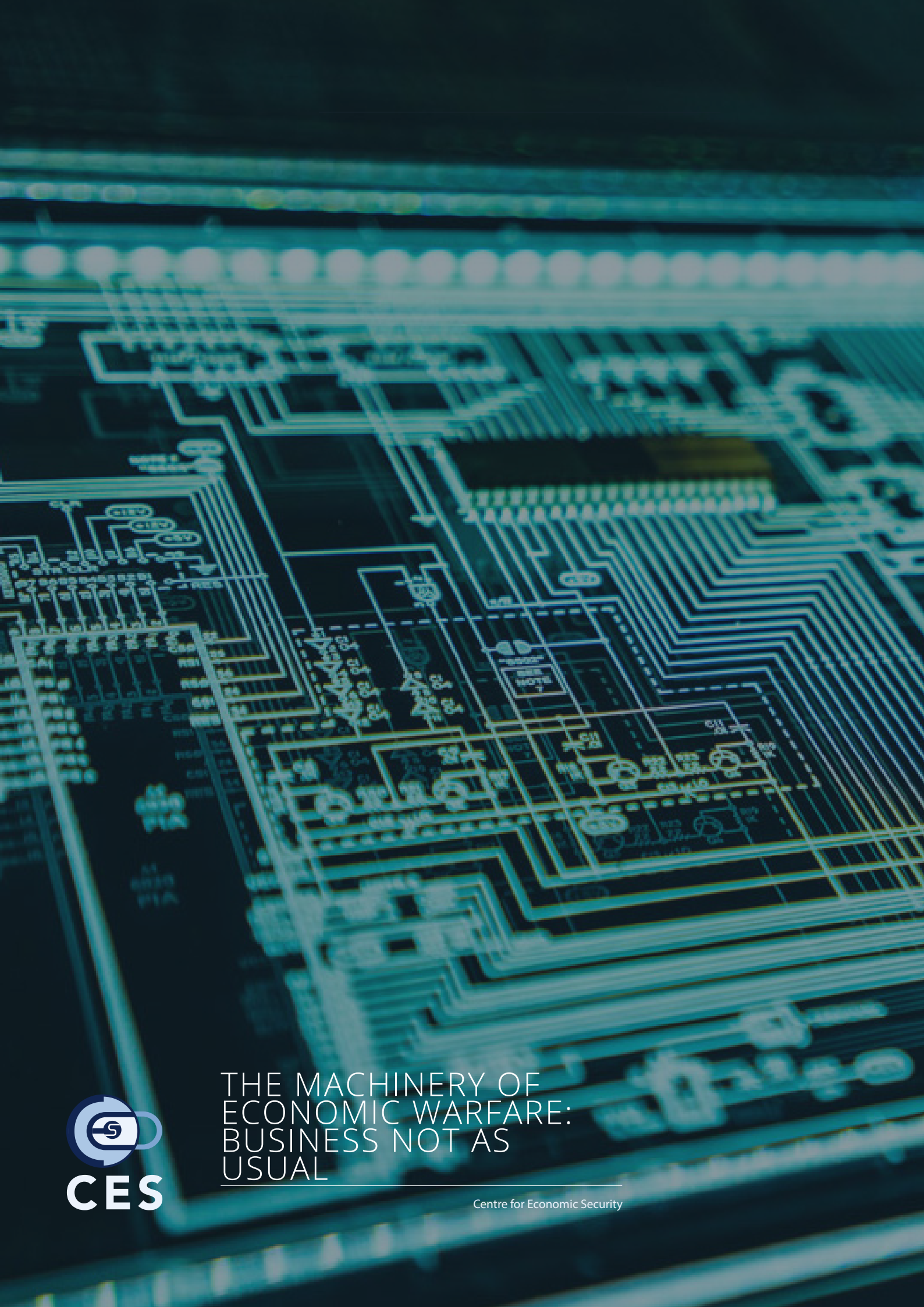
The Centre for Economic Security is a research and convening organisation that dedicates itself to three goals: first, raising awareness and understanding of economic threat, second, to establishing the operational tools to manage that threat and third to enabling policy makers, financial institutions and corporates to anticipate and deal strategically with those threats.

Our vision is to promote strategic economic readiness in a fragmented world. We do this by working with governments, financial institutions and corporates to formulate resilient and effective tools.

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