British strategy in 1939 had been based on the belief that Britain could not provide a large army to fight on the continent; instead, she would make her contribution in other areas. Of these, one of the most significant was a rather nebulous but nonetheless important aspect of strategy known as economic warfare. This idea was originally based on the belief that Germany’s ultimate defeat in the First World War had been due to the success of blockade, and during the 1930s it had been expanded to include such other means of pressure as strategic bombing, sabotage and psychological warfare. By the outbreak of the Second World War the theory had become highly attractive to many and, in the opinion of one commentator, was seen as ‘the primary instrument of war’ and ‘the mainstay of official strategy’.1 This position could only be reinforced as Britain’s European allies were overrun, for without their armies there was little choice other than to adopt unconventional methods of waging war. In fact, in some quarters there was real relief that now Britain stood alone she would no longer have to pander to the outmoded strategic thinking of her continental friends: according to the official historian of the economic blockade, ‘the German victories produced no mood of defeatism; the mood was rather one of fresh confidence and relief, with the opportunity of total economic war opened up by the new reality of total danger’.2 In addition, it was believed that by defeating the armed forces of Europe the Germans had only created a far larger enemy – the enslaved populations of the occupied continent. It would rapidly become almost an article of faith that, given outside guidance, all subjugated elements would rise up on command and, with the assistance of a British invasion, fling their enemies (who would already be weakened by strategic bombing, blockade and internal dissent) into disorder and defeat.
In April 1941, when Yugoslavia capitulated, Britain had been at war with Germany for twenty months. Even before September 1939, however, the first steps had been taken towards creating agencies which might sponsor and carry out subversion, sabotage and other 'ungentlemanly' activities. In 1938 three bodies had been established; a tiny department in the War Office known initially as GS (R) and, from spring 1939 as MI (R); an office within the Secret Intelligence Service (SIS or MI6) called Section D; and a body known as EH, after Electra House, the headquarters in London from which it operated. GS (R) studied guerrilla warfare, Section D (the larger and more important) specialised in sabotage and a broad and undefined range of other subversive acts, and EH dealt with 'Black', or subversive, propaganda. On the outbreak of war a 'Ministry of Economic Warfare' was constituted to supervise the blockade, dubbed by those with less faith in bloodless victories as the 'Ministry of wishful thinking'. On 15 May 1940 its first rather unremarkable minister, Ronald Cross, was replaced by the Labour MP, Dr Hugh Dalton, a fervent advocate of the use of the economic weapon whose energetic if rather brusque manner earned him the nickname 'Dr. Dynamo'. Within days of his appointment he was casting an avaricious eye towards Section D and MI (R).

On 1 July, after much of the army's equipment had been left on the Dunkirk beaches and little remained to the British except economic warfare, it was perhaps natural that a meeting should be held to discuss the most efficient use of this weapon. Dalton, the Foreign Secretary (Lord Halifax), the head of the Secret Intelligence Service (Stewart Menzies) and others attended, and Dalton took the opportunity to make a 'vigorous case for the separation of subversive warfare from military operations, and hence for control outside the service departments'. After further agitation the Prime Minister, Winston Churchill, approved the proposals put forward by the meeting, and on 16 July it was decided that a new organisation should be set up under Dalton's control. Three days later its charter was signed, and on 22 July the War Cabinet approved the decision.

Thus was established the organisation which came to be known as the Special Operations Executive (SOE). The charter itself remains unavailable to researchers, but its specified function was apparently to 'coordinate all action, by way of subversion and sabotage, against the enemy overseas'; although Churchill summed it up more enticingly in his instructions to Dalton to 'set Europe