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PATRICIA
CLAVIN



Securing the
WORLD
ECONOMY

The Reinvention of the League of Nations
1920–1946

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*The Reinvention of the League of Nations,
1920–1946*

PATRICIA CLAVIN

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Margaret Macmillan once memorably claimed that only a 'handful of eccentrics' were interested in the history of the League of Nations.¹ We now number very many handfuls, who continue to enjoy the air of notoriety Margaret bestowed upon us. I am delighted to count myself among this group, and am grateful for their rich and diverse contributions to what sometimes felt like being in a remote corner of an isolated field when I began this research project. Among the friends to whom I am indebted are Anne Deighton, Madeleine Herren, Harold James, Sandrine Kott, Kiran Klaus Patel, Louis Pauly, Susan Pedersen, and Sunil Amrith, and I am particularly grateful to Pieter Briegel, Martin Ceadel, Glenda Sluga, Teresa Tomás Rangil, and Andrew Webster, who generously gave of their time to read parts of the text, however roughly hewn. Profound thanks are due to the archivists and libraries detailed in the bibliographic section of the book for their assistance,

¹ Margaret Macmillan, *Paris 1919: Six Months that Changed the World* (New York, 2001), 83.

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Here it is, and it is dedicated to them all.

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Abbreviations

AMAE	Archives du Ministère des Affaires Étrangères, Paris
BA	Bundesarchiv, Abteilung Potsdam
BAK	Bundesarchiv, Abteilung Koblenz
BIS	Bank for International Settlements
Bodl.	Bodleian Library, University of Oxford
BoE	Archive of the Bank of England
CAEF	Centre des Archives Économiques et Financières, Paris
ECOSOC	Economic and Social Council
EEA	Exchange Equalization Account
EEC	European Economic Community
EFO	Economic and Financial Organization
EFTA	European Free Trade Association
EIS	Economic Intelligence Service
EU	European Union
FAO	Food and Agriculture Organization
FDR	Franklin Delano Roosevelt
FEA	Foreign Economic Administration
FRBNY	Archive of the Federal Reserve Bank of New York
GATT	General Agreement on Tariffs and Trade
GFM	Archive of the German Foreign Ministry
IAS	Institute for Advanced Study
IBRD	International Bank for Reconstruction and Development
IIA	International Institute for Agriculture
ILO	International Labour Organization
IMF	International Monetary Fund
ITO	International Trade Organization
LC	Manuscript Division, Library of Congress, Washington, DC
LNHO	League of Nations Health Organization
LNU	League of Nations Union
LON	Archives of the League of Nations
LSE	London School of Economics
MFN	most favoured nation
Mudd	Seely Mudd Library, Princeton University, Princeton, NJ
NAA	National Archives of Australia
NARA	National Archives and Records Administration, College Park, Maryland
NGO	Non-governmental organization
<i>ODNB</i>	<i>Oxford Dictionary of National Biography</i> , online edn, October 2009
OFRRO	Office of Foreign Relief and Rehabilitation Operations
PPP	purchasing-power parity
RTAA	Reciprocal Tariff Agreement Act
SEC	Supreme Economic Council
TNA	The National Archives, Kew, Great Britain
ULC	University Library, University of Cambridge

UN	United Nations
UNO	United Nations Organization
UNOG	United Nations Office at Geneva
UNRRA	United Nations Relief and Rehabilitation Administration
WTO	World Trade Organization

Introduction

For thirty years after the First World War, humankind reeled from a series of financial catastrophes and economic depressions. This book tells the story of how during this period efforts to support global capitalism became a core objective of the League of Nations. In its lifetime, the world's first global intergovernmental organization confronted the powerful forces that influenced the world economy, to coordinate economic actors, and to articulate policies to take state and international agency in new directions. It is a history that resonates deeply with the global predicament of the early twenty-first century.

When it was founded in 1920, the League's only interest in international economics was the promotion of free trade. Central banks were charged with monetary policy, markets were to be set free, and the state was to be a nightwatchman. But the League was drawn into economics and finance by the exigencies of the post-war slump and hyperinflation in the early 1920s, and the onset of the Great Depression in 1929. Indeed, by the mid-1930s the League's undertakings in economics were so central to its self-identity that they formed the basis of attempts to reinvent the organization and its role in international relations. Its work continued through the economic emergency occasioned by the Second World War, where, from a new home in the USA, it resumed its now established role as a pathfinder, tracking the performance of the world economy, identifying routes back liberal capitalism, and mapping out policies and the lessons of the past for states and its successor international organizations to follow.

This history draws out the profound changes that took place in economic science, in government policy, and in ideas about the role of international organizations in sustaining economic security. By the Second World War, the League expounded the view that 'something was so radically wrong with the function of the economic system that, not the wisdom of this or that policy, but the fundamental assumptions of economic thought should be questioned'.¹ The performance of industry and agriculture was no longer the private concern of shareholders, trade unionists, and landowners; it had become 'a social function carried out in the interest of all'.²

It reflected the view that the experience of financial shocks and economic slump was as powerful a force of global change as war. Where the language of peace after

¹ League of Nations, *The Transition from War to Peace Economy: Report of the Delegation of Economic Depressions, Part I* (Geneva, 1943), 10.

² League of Nations, *The Transition from War to Peace Economy*, 16.

1918 divided the world into ‘winners’ and ‘losers’, the battle against economic depression should have united a world that faced the ‘tragedy of forced unemployment’. That it led instead to a second world war cemented a conviction in the importance of economic stability for the prospects of peace. So did the shocking discovery of the ‘coexistence of large unsalable stocks of foodstuffs and raw materials (part of which from time to time was deliberately destroyed), and want and deprivation suffered by the unemployed and partially employed’ in a world where ‘even in the richest countries a large proportion of the population was inadequately fed, inadequately housed, and inadequately clothed’.³

Whereas schemes for organizations to facilitate international peace had a centuries-old heritage, the notion of using a body such as the League of Nations to facilitate global economic and financial relations surfaced for the first time towards the end of the First World War. In Wilson’s Fourteen Points it was articulated through an emphasis on free trade, framed in a liberal capitalist model of the world economy that the British and American peacemakers believed offered the best prospect for international prosperity and peace. This idea of a distinct intergovernmental organization dedicated to economic and financial relations faced powerful opposition from certain policy-makers and many of the world’s central banks, and it took time for the self-conceived Economic and Financial Organization (EFO) to emerge. Until it was able to marshal personnel and support, the League’s economic and financial arm was heavily reliant on a wider transnational network of financiers, economists, and political advisers. It was formed in efforts to stabilize financial crises in Austria, Hungary, Bulgaria, and Greece, but it was the impact of the Great Depression and its convention of two world economic conferences in 1927 and 1933 that allowed the EFO’s resources and ambition to grow. As a result, this study’s close focus on the unfolding history subverts the usual chronologies of the League’s activities centred on the years before the Disarmament Conference or the Manchurian or Ethiopian crises. Here it is the years after, not before, 1930 that are of primary concern.

In many ways this is a lost history, and the EFO is itself something of an organization without a recorded past.⁴ Yet many histories of the years between

³ League of Nations, *The Transition from War to Peace Economy*, 16.

⁴ This is the first study to be written based on a thorough investigation of its archives. Martin Hill, *The Economic and Financial Organization of the League of Nations: A Survey of Twenty-Five Years’ Experience* (Washington, 1946), was drawn on his recollections and work for the Princeton Mission. Pioneering studies in the field is derived largely on its voluminous published record include works by Neil de Marchi, ‘League of Nations Economists and the Ideal of Peaceful Change in the Decade of the “Thirties”’, in Craufurd D. Goodwin (ed.), *Economics and National Security: A History of their Interaction. Annual Supplement to Volume 23, History of Political Economy* (London, 1991), 143–78; A. Alexander Menzies, ‘Technical Assistance and the League of Nations’, in United Nations Library, *The League of Nations in Retrospect: Proceedings of the Symposium* (Berlin and New York, 1983), 295–312. The most important studies to date have been by Louis Pauly, who foregrounds, in particular, the institution’s legacies to the International Monetary Fund, where he was once employed, and uses oral testimony of key protagonists: Louis W. Pauly, ‘The League of Nations and the Foreshadowing of the International Monetary Fund’, *Princeton Essays in International Finance*, 201 (Dec. 1996), 1–52, and *Who Elected the Bankers? Surveillance and Control in the World Economy* (Ithaca, NY, 1997). Anthony M. Endres and Grant A. Fleming, *International Organizations and the*

1919 and 1946 have been written out of the published data and studies that the EFO produced. Its statistical compilations form the bedrock of comparative national and international economic histories; the conferences and meetings it organized became the stage on which historians have recounted the origins of the Second World War; many of the economists recruited to work for it made seminal contributions to the intellectual history of social science; its widely consulted accounts of the failure of the interwar economy formed the narrative backdrop to post-war planning after 1940; and its bureaucrats went on to found or lead new organizations after 1945. Partly because the publication record of the EFO was so voluminous, it was not readily apparent that the history of the institutional environment that powerfully shaped this work was missing, with its rich, wide-ranging archive long unexplored.

The history of the League's attempts to shape global economic and financial relations also remained in the shadows, because, while the organization sought to connect economics and finance to politics and society in pioneering and complex ways, economists and historians lost interest in studying these connections. Economists have been drawn to mathematical approaches (some of which have their origins in the League's scientific work); students of the intellectual history of economics have been inclined to study economic ideas, and social sciences generally, in relation to one another, in preference to studying their links to national or international policy; and historians have preferred to explore social and political relationships through the lens of cultural analysis. This is not to disavow the benefits or the insights gained from these approaches, but it helps to explain the neglect of the League's involvement in economic and financial relations compared with other aspects of its history.

Since the beginning of the twenty-first century there has been a great flowering of historical interest in the League of Nations. It was fuelled by the end of the cold war, and the dawn of a new age of multilateralism and insecurity in international relations on a scale last seen in the interwar period. A new wave of globalization, too, played its part in moving historians away from the same preoccupation with success and failure that framed contemporaries' view of the League solely as a means through which states navigated from one world war to the next.⁵ Historians

Analysis of Economic Policy, 1919–1950 (Cambridge, 2002), is based largely on its published studies, and focuses on the EFO, and its contributions to the history of intellectual thought. But it neglects the historical context in which policy ideas were conceived and indiscriminately conflates League officials, League economists, members of the International Labour Organization (ILO), League committees, and delegations comprising national representatives. For the EFO's war origins, see Yann Decorzant, *La Société des Nations et la naissance d'une conception de la régulation économique internationale* (Brussels, 2011). For a study of its operations, see Patricia Clavin and Jens-Wilhelm Wessels, 'Understanding the Work of the Economic and Financial Organization of the League of Nations', *Contemporary European History Review*, 14/4 (2005), 475–6.

⁵ Susan Pedersen, 'Back to the League of Nations', *American Historical Review*, 112/4 (2007), 1091–117. For details of scholars working on the League of Nations, see <<http://www.leagueofnationshistory.org>> (accessed 21 June 2012) and the History of International Organizations Network <<http://www.apsun.ch/unoacademia/Home/page10149.html>> (accessed 21 June 2012). For an online bibliographic and personnel database, see the League of Nations Search Engine <<http://www.lonsea.de/>> (accessed 21 June 2012).

have begun to build on the work of political scientists who were generally more interested in these organizations to move beyond a bifurcated division between those who regard global international organizations as autonomous actors in world politics and those who interpret them primarily as instruments of states' power, an epiphenomenon of the realist diplomatic game.⁶ Insights from sociology have illuminated how institutions socialize their members, assigning international organizations the potential to generate shared causal and normative understandings that are the prerequisites and the resource base out of which collective action grows.⁷ Historical research has enabled us to understand these processes on their own terms, and to do so it is necessary to work outwards from Geneva towards the nation states. This study attempts to give the League its due as an actor, or more properly as a company of actors, rather than treating it as merely a stage.

The EFO's approach to economics and finance was not always consistent. The book explores the contradictory conceptions of the 'international' economy, understood in relation to the powers and interests of nations and empires that marked its history. It explains why the League, in time, came to tolerate, and on occasions even facilitated, the promotion of protection for primary producers and regional networks of cooperation, while at the same time advocating a policy of free trade and a single, unified global economy. In monetary policy, in the early 1920s its actions endorsed the reconstitution of the globalizing gold standard monetary regime, but its views were transformed by experience and the information it gathered as to the mechanics and demands of the system, and the failure of states to coordinate policies in the 1930s. Similarly, in the 1940s, although the EFO was heavily engaged in the preparations for peace, it eschewed the language of 'planning' because of its associations with communism and fascism. It also stressed the importance of economic growth and the consumer economy for world peace, but one of the economists who began his professional career working at the League's Princeton Mission in 1940, Kenneth Boulding, was to become an influential critic, claiming that 'anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist'.⁸ It would become one of the most popular slogans of those who would seek to question the morality of the financial system after 2008. So it is that the League's contribution in the field of economic and financial relations is a rich demonstration of the paradox of outcomes.

This is also a history of ideas about capitalism, seen through the pragmatic eyes of the League secretariat in its search for 'practical' economics. Many of the economists whom the EFO recruited in a variety of capacities would become world renowned,

⁶ Michael N. Barnett and Martha Finnemore, 'The Politics, Power, and Pathologies of International Organizations', *International Organization*, 53/4 (Autumn 1999), 699–732; Clive Archer, *International Organizations* (3rd edn; London, 2003), 68–73.

⁷ See, e.g., J. G. March and J. P. Olsen, 'The Institutional Dynamics of International Political Orders', *International Organization*, 52 (1988), 943–69; Martha Finnemore, *National Interests in International Society* (Ithaca, NY, 1996); for an overview, see A. Wiener, 'Constructivism and Social Institutionalism', in M. Cini and A. Bourne (eds), *Palgrave Advances in European Union Studies* (Basingstoke, 2006), 35–55.

⁸ Widely attributed to Kenneth Boulding. See, e.g., Jack Ulldrich, *Jump the Curve: 50 Essential Strategies to help your company stay ahead of emerging technologies* (Avon, MA, 2008), 7.

including Gustav Cassel, Bertil Ohlin, Gottfried Haberler, Ragnar Nurkse, Jan Tinbergen, Tjalling Koopmans, Jacques Polak, and James Meade. Their work reaches deep into the history of economic thought, although it is possible to touch only briefly on this, and other relevant historiographies, in a study written out of the archives. These men were survivors and students of some of the most turbulent episodes in the financial and economic history of the twentieth century. They became keenly interested in the relationship between economic ideas and state and international policy, and between cyclical downturn and financial crisis; they were experts in the history of inflation and deflation, and the search for stability and growth.

Throughout the time of the League, the world economy existed in a state of quasi emergency. It prompted the organization's secretariat to bring together discrete groups of social scientists, state officials, businessmen, financiers, farmers, and workers in a steady stream of conferences, meetings, and scientific investigations that enable us to recover afresh the varied and conflicting ways these groups understood the situation, and how their ideas related to policy. The organization's great range of interests and activities in the evolving architecture meant that, despite the outward appearance of a coherent structure, in practice the organization came to comprise different institutions and networks that pulled in different directions. This was both a weakness and a strength. The multiplicity of activities and perspectives frequently rendered the whole League ineffective in an international crisis, yet it simultaneously meant that, out of the diversity of its responses, information was exchanged, and national positions clarified in a process that, over time, opened up the possibility for different outcomes in the future. It also allowed for fruitful connections to be made across spheres, such as economics and health, or finance and security, which may have been impeded by the creation of discrete institutions. It speaks to an energetic striving for a 'new diplomacy' among communities that sought to replace state interest with a broader view of state's duties, and what historians have come to understand as a language of rights.⁹

The secretariat sustained many of these processes, and it looms large here, underlining that history is made as much by men in suits clutching notebooks as it is by those in bold uniforms carrying weapons. These individuals would never be described as colourful personalities, although they lived in colourful times, and were mostly male, although one of the EFO's section directors, Alexander Loveday, became anxious to advance the careers of women in his section, and they grew more visible in the crisis and war years of the League.

Therefore, an appreciation of the League's work needs to situate it in the *longue durée* of change in international relations in the twentieth century, and this history locates the locus of change in the people who worked for, or encountered, the League, and the ideas it helped to generate and disseminate about international relations. Over time, the EFO, or more precisely its secretariat and the experts it recruited to work with it, developed clear ideas on how to manage relations between

⁹ Cornelia Navari, *Internationalism and the State in the Twentieth Century* (London, 2000), 252–68.

national and international economies, and the value of international and regional organization in facilitating economic recovery and growth. For them, 'each period of prosperity and depression is an historical individual', and each economic crisis was 'embedded in a socio-economic structure of its own'.¹⁰ Yet they also argued that, for all the remarkable changes in the world economy between the mid-nineteenth and mid-twentieth centuries, economic activity was characterized by certain essential similarities, however different the economic and institutional structures of individual countries might appear. The most obvious, shared characteristic was that economic progress had taken the form not of a steady hill climb to new levels of output and well-being, but rather of 'spurts and rebounds', 'periods of prosperity and then depression', that should be understood in a global context.¹¹

As a result, they came to believe one of their core functions was not just to collate global intelligence—a founding rationale—but to mitigate economic and financial turmoil, and to safeguard liberal democratic values and peace. They privileged technocratic cooperation—an early precursor to the principles underpinning the Bretton Woods institutions and the European Economic Community, for which many of its staff members went to work, and one that was predicated on a world divided between capitalism and command economies. At the same time, the EFO's secretariat and many of the social scientists who it hired became trenchant critics of the actions and powers marshalled by member and non-member states that they believed had worked against international coordination, cooperation, and peace. It explains why during the course of the 1920s, and especially the subsequent decade of ultra-nationalism of the 1930s, despite the League's shortcomings, many became more, not less, convinced as to the utility of international organizations, especially in the field of economic and financial relations. As the new world order was realized in 1945, however, the League's Mission on economics and finance in Princeton was neither an uncritical nor an impartial participant. Although it advocated the primacy of social scientific expertise, the Princeton Mission argued that a world organization of the future should not 'substitute for other forms of dictatorship a new dictatorship of scholars. In the democratic world the final power must always rest with the mass of people, with laymen.'¹²

The League of Nations was the emphatically descriptive name that the statesmen at the Paris Peace Conference in 1919 intended would reinforce the authority of member states rather than challenge it. The primacy of state sovereignty was

¹⁰ League of Nations, *Economic Stability in the Post-War World: The Conditions of Prosperity after the Transition from War to Peace* (Geneva, 1945), 291. 'Technological knowledge, methods of production, degree of capital-intensity, number, quality and age distribution of the population, habits and preferences of the consumers, social institutions in the widest sense including the legal framework of society, practice in the matter of interventions of the State and other public bodies in the economic sphere, habits of payment, banking practice and so forth—all these practices change continuously, and are not exactly the same in any two cases' (Gottfried Haberler, *Prosperity and Depression* (rev. edn; Geneva, 1938), 177).

¹¹ League of Nations, *Economic Stability in the Post-War World*, 291–2.

¹² 'Report of the Director', 14 Oct. 1940, IAS, Records of the Office of the Director (Aydelotte), 1940; Alexander Loveday, *Reflections on International Administration* (Oxford, 1958), 36–7.

enshrined in the Covenant of the League and in the organizational structures and institutional practice that emerged. The League presented a vision of the world where the unit that counted was the nation state. Indeed, it was hidebound by this principle and by the need for unanimity among its members, or at least its most powerful members, as a precondition of action.¹³ This carried the complication that among them were nation states that were also empire states, such as Britain, France, the Netherlands, and Belgium, or that aspired to empire, like Italy; while for others, such as Norway and Switzerland, internationalism was a defining feature of their national identity. This had important consequences both for the League's impact on international relations and for the impact of participation on members. It was characteristic of the ambiguities of the League that membership of the organization was attractive to former territories of the Austro-Hungarian Empire, or to dominions and colonies of Britain, because it provided access to a language of national rights and privileges, concepts and information, that for many of them was to shape their route to independent statehood. For Ireland, in 1919 in the throes of a war to be free of empire's reach, the League 'offered at once secure international recognition, not as a British Dominion'.¹⁴ For small and middling powers and emerging states, Geneva gave a platform where they could be heard on terms of nominal equality with the great powers that had heretofore determined international politics. More mundanely, it also provided access to other nation states and to intelligence without the expense of opening embassies and consulates around the world. Yet it was never a truly global organization. Its vista only ever comprised or reflected parts of the globe, never the whole. In particular, Africa surfaced largely as a subject of interest for the Council and the secretariat at the behest of Western powers—an object of the League, not an actor in its own right.

At the same time as the League sought to project a vision of international democracy onto the world, it had world visions projected onto it. Its diverse membership and the changing international context in which it operated meant there was no single and consistent view about what comprised the League, what it should do, and how it should function. 'The League' thus became a site where a plurality of views about global and regional coordination and cooperation were generated, and where they could be compared and could compete. In this sense, it was not a universe, offering one unique, essential view of the world and how it should be, but a multiverse: an international space-time that could and did spawn multiple universes. As the American director of the League's Information Section, Arthur Sweetser reflected, the rest of the world could challenge 'simplif[e] European conceptions . . . of a single league at Geneva', and favour 'instead a bewilderment of nations'.¹⁵

¹³ Zara Steiner, *The Lights that Failed: European International History, 1919–1933* (Oxford, 2007), 351–4; Christopher Thorne, *The Limits of Foreign Policy: The West, The League and the Far Eastern Crisis of 1931–1933* (London, 1972).

¹⁴ Memo by Patrick Sarsfield O'Hegarty, 15 Sept. 1922, in Royal Irish Academy, *Documents on Irish Foreign Policy*, vol. 1, no. 320, NAI DT S3332.

¹⁵ Memo by Sweetser, 'The League of Nations and the United States', 8 Feb. 1928, p. 4, LON R3567, 50/1683/1683.

The internationalisms embodied in the League had different roots: Jeremy Bentham's notion of 'international' as a term for laws that extended beyond the state; Immanuel Kant's vision of a permanent peace among nations, and the emergence in the late nineteenth century of non-governmental and international organizations dedicated to culture, communication, international standardization, and peace. It contained aspects of liberal (sometimes articulated as humanitarian) imperialism redolent with a language of rights, notably the rights of states in the West, and their 'responsibilities' towards the rest of the world, whose access to rights and resources were curtailed and increasingly controlled.

Aspects of this social agenda were activated when the Great Depression and the failure of intergovernmental cooperation caused the League to seek a more holistic approach to the economic crisis that embraced social health and welfare. The quality of the world's nutrition, housing, and access to employment, usually explored through the issue of public works at the International Labour Organization (ILO), were now all grist to its mill. After 1929, the worldwide economic crisis brought these issues, their relationship to economic policy, and the interconnections of the world economy more clearly into view than ever before. Throughout, the League also measured the performance of the non-Western economies that were of growing interest and importance following the recourse to closer imperial economic ties by the liberal democracies of Britain and France and the overtly racial empire-building projects of Japan, Germany, and Italy. In many parts of the world, including Europe, it was not just the 'Thirties' that were 'Hungry', but the decades either side of it. Charting the impact of the economic downturn on levels of employment and malnutrition were forces that its supporters used to reinvent the League.

The issue of who could metaphorically afford to butter their bread caused the League to reflect on the policy relationships between wealthier nations and poorer ones, predominately, but not exclusively, in Europe. An emerging sensitivity to the fat and the lean reflected and shaped a perspective on the world economy that was more conscious of the distribution of international wealth and the implications of its inequalities: by how the world was shaped by trading relations between industrial and primary producers; by patterns of international indebtedness and questions of reparation for the costs of war; and by the need for reconstruction aid and a host of issues that after 1945 would come under the umbrella of 'international development'.

In 1920 the prevailing view was that most societies were distinct and essentially non-comparable; the Western world was viewed as destined to remain different and separate from the societies of Africa and Asia. But during its lifetime the League—its voice amplified through the international network it sustained and given gravitas through the invocation of experience—came to place all societies of the world on a single, shared continuum from the least to the most developed, on the same trajectory towards a common project of 'modernization'. In a proto-theory of development, the EFO came to argue that the world's guiding objective should be 'the fullest possible use . . . of the resources of production, human and material, of the skill and enterprize of the individual . . . so as to attain and maintain in all

countries a stable economy and rising standards of living'.¹⁶ Equality and security, then, had an explicitly economic dimension, and, in this search for economic security, the League encountered one of the most challenging questions for economic policy in the modern world: how to respond to societies' diverse economic and social needs and resources on a plane of equality in international relations?

At the same time, the League's values could also be described as 'middle class' and 'protestant'. They were about respect for the ownership of property and assets, and the importance of self-improvement. The League was as much a 'state of mind' as an institution, or a range of treaties and conventions.¹⁷ It respected the different needs of producers small and large, the wealthy, the less wealthy, and the poor, though it proved easier to measure and account for these differences than to develop and advocate policies that supported all parties. Working-class values and needs, of unionized, male urban workers at least, were both more evident and catered for in its sibling organization, the ILO. It was there that claims to 'proletarian internationalism' were primarily found, and intended to combat the claims of the USSR. Quite how international communism related to liberal internationalism in the interwar period is still unclear, but there is no doubt it played a central role as the defining 'other', especially in the field of economics, even after the USSR had joined the League.¹⁸ It is also important to remember that industrial and state representatives, who formed the other two-thirds of the ILO's unique tripartite membership arrangement, primarily used it as a forum through which to promote improved labour productivity.

The League, and the ILO, became the focus of lobbying of all kinds, and not just from those who aspired to nationhood. Activists who lobbied at the League campaigned for the rights of women, children, slaves, and minority groups, producers' agreements on commodities such as wheat, sugar, and wine, and the monetization of silver. Movements dedicated to the causes of thrift, temperance, and international peace and disarmament also plied their cause. Expectations of independence were raised by its location in Geneva, away from the traditional spheres of power, even though petitioning the League was frequently mediated through states or national and international associations. As Britain's future Foreign Secretary, Lord Curzon, accurately predicted in April 1919, 'the League would experience many and great disappointments' as a result of the scale, and divergence, of hopes invested in it.¹⁹ The ability of the League to meet the world's sometimes conflicting expectations depended, in large part, on the authority invested in it by member states, and this was strictly limited. By the end of 1920, forty-eight states had joined, yet key powerbrokers were absent. Germany became a member only in

¹⁶ League of Nations, *The Transition from War to Peace Economy*, 113.

¹⁷ Glenda Sluga, 'The Hancock Lecture, 2009: Was the Twentieth Century the Great Age of Internationalism?', *Australian Academy of Humanities Proceedings 2009* (Canberra, 2010), 162.

¹⁸ Patricia Clavin, 'Interwar Internationalism: Conceptualising Transnational Thought and Action, 1919–1939', in Daniel Lacqua (ed.), *Internationalism Reconfigured: Transnational Ideas and Movements between the World Wars* (London, 2011), 5–6.

¹⁹ Curzon to Hankey, c. Apr. 1919, in Stephen Roskill, *Hankey Man of Secrets*, ii. 1919–1931 (London, 1972), 66.

1926, and the USSR, a late participant, entered only in 1934, by which time other states were abandoning it, either out of ambition to form a world order that challenged the universalist values embodied in the League or motivated by the more prosaic need to economize. Before they joined, after they had left, or even if they never joined at all, the major powers shaped the agency of the League. This was especially true of the most famous non-member of all: the United States.

Throughout its lifetime the League continually needed to articulate the value of international cooperation to its members, and to demonstrate its achievements. The organization's battle for legitimacy was interminable. Such claims of 'success' were inevitably matched by accusations of failure, alternating tales of triumph and disaster, with little shade in between.²⁰ But it is impossible, perhaps even wrong-headed, to attempt to sidestep the binary of 'success' and 'failure', because the League's need for validation was conditioned by it. It subsequently also shaped policy-makers' and historians' search for the lessons of its history. Indeed, a clear-eyed recognition of why 'success' and 'failure' were fundamental to the contentions made by those who sought to act on the organization's behalf, and to the historical framing of the League, reveals much about the pressures it faced in asserting its value and role in interstate relations in a global climate where ideologies of nationalism and self-sufficiency were rife. It was imperative to make a strong and sustained case as to why and how the League brought something new to international relations so as to maintain member states' contributions to its work by sending officials, intelligence, and hard cash, and by tolerating League oversight and sometimes interference in their affairs.²¹

The League's successor organizations were not liberated from this history but enslaved by it: with the League as failure, they were the antithetical success stories. The United Nations Organization, in particular, remains trapped in the need to refute the charge that it 'was destined to the dustbin of history and the fate of the League of Nations'.²² But, just as the origins of the League lay in nineteenth-century internationalism, so the League's interest in economics left a profound legacy for the global order that extended beyond 1946, transmitted through a dense institutional and personal network. The formal dates of the League's existence are parentheses within a much longer history. It served as an incubator for ideas and practices that continue to shape the twenty-first-century world.

²⁰ See, e.g., Beverly Nicols, *Cry Havoc!* (London, 1933), and Robert Edward Dell, *The Geneva Racket, 1920–1939* (London, 1941).

²¹ League membership came to be calculated according to an assessment of the strength of the member's national economy. If the cost of the League, which totalled just over \$5 million or £1,071,621 in 1929, were broken down into individual units (each worth just over \$5,000), Britain contributed 105 units, France and Germany 79, Italy and Japan 60, India 56, China 46, Spain 40, Canada, 35, Poland 32, the Argentine and Czechoslovakia 29, Australia 27, and the Netherlands 23, surprisingly only one more than the much poorer Romania.

²² Transcript of Press Conference by Secretary-General Kofi-Annan at United Nations Headquarters, 30 July 2003, United Nations Press Release Document SG/SM/8803 <<http://www.un.org/News/Press/docs/2003/sgsm8803.doc.htm>> (accessed 14 Oct. 2010).

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The Multiverse of the League, 1920–1929

The founding fathers of the League of Nations had not intended the organization to contribute to economic reconstruction, or the operations of the world economy beyond a lofty pronouncement endorsing free trade. But a series of financial crises in Europe, notably in the successor states of central and eastern Europe, prompted it to gather economic and financial intelligence on national economies, and coordinate rescue efforts. The next step was to begin surveying the economic health of all regions, and then of the world as a whole. A combination of events were significant, notably in Austria, Hungary, Greece, and Bulgaria, and a series of conferences, in Brussels in 1920 and Geneva in 1927, fleshed out the bones of the League's economic operation. By the end of the decade an economic and financial organization had emerged, and it was only then that the League could claim an agency in economic and financial affairs in its own right. At first the handful of men charged with economic and financial issues relied upon a transnational arrangement of private agencies—banks, universities, scientific societies—and personal networks to make an impact. Their patterns of work created a cycle of international meetings about economic and financial policy, which was supported by the world's first international bureaucracy—the latter surprising national policy-makers by taking itself seriously. From inception, then, the League challenged expectations with the emergence of a strand of operation that the British and American architects of the new organization had sought to avoid: involvement in financial crises and economic reconstruction, but, at the same time as this 'technical' work moved in unexpected directions, the political challenges before the new organization made it clear the League was not going to be the millenarian 'bringer of light' anticipated by its most enthusiastic advocates.

BUILDING AN ORGANIZATION

As the internationalism of war gave way to the nationalism of peace, the expectation in 1920 that the League was largely to steer clear of financial and economic affairs was not an oversight, but a reflection of tensions between Allied and Associated powers. In particular, Britain and the United States feared the implications of League intervention on the already vexed issue of war debts owed by the Allies to the USA, and reparations owed by the Central Powers to the victors. Nor was there a precedent for intergovernmental cooperation in economics and finance in peacetime. The Covenant contained provision in Article 23 for the members of the

League 'to secure and maintain equitable treatment for the commerce of all Members of the League', but, before trade could be considered, financial relations needed to be stabilized—particularly the widely fluctuating values of the world's leading currencies, which had left the gold standard to fight the war. Here the major powers' statesmen and central bankers feared the potential anarchy that might be unleashed by allowing the 'Geneva experiment' into such a sensitive area of policy-making, where international disagreement had the potential to trigger financial instability. As the world's premier financial powers, Britain and the USA set the tone, and their reticence was evidence of the widely held conviction that, when it came to economic policy, unlike diplomacy, there should be no break with the past. The state was expected to return to its pre-war role of 'nightwatchman' in a 'hands-off' policy regime that was believed to have brought unprecedented international economic growth before 1914. If coordination between national economies was necessary, it should be confined to the financial sphere and led by independent central banks.¹ However, the more economically vulnerable members of the wartime partnership, France and Italy, took a different view, and were keen for the cooperation to continue in peacetime. Within months Britain, having relinquished its role as the world's banker, came around to their perspective.²

The ideology of non-intervention was profoundly challenged by the context of peace. In 1920, rising levels of inflation, the end of the post-war boom, and the particularly difficult economic conditions faced by the new states of central and eastern Europe, the foster children of the League, all illustrated that the world economy was not likely to right itself. The successful Bolshevik revolution in Russia, moreover, offered the shocking realization of what could happen if capitalism's recovery failed. Influential, too, was lobbying by leading figures in economic science, a newly emerging discipline that was to become the dominant social science of the twentieth century. Especially eye-catching was the salvo fired by the economist John Maynard Keynes, who had represented the British government at the Paris Peace Conference. He castigated the statesmen for failing to see that the real challenge ahead was not rewriting the rules of the diplomatic game, but recognizing that the game had changed to one in which economic and financial stability and growth were central, both to the prospects of international peace, and to governments' claims for support and legitimacy from their electorate. Paris had delivered treaties but not a peace settlement, and it was now imperative to consider *The Economic Consequences of the Peace*.³

¹ Derek Aldcroft, *From Versailles to Wall Street, 1919–1929* (London, 1977), 55–79, which draws heavily on the League's published evidence. Stephen A. Schuker, 'Origins of American Stabilization Policy in Europe: The Financial Dimension, 1918–1924', in Hans-Jürgen Schröder (ed.), *Confrontation and Cooperation: Germany and the United States in the Era of World War I* (Providence, RI, 1993), 377–407, and Michael J. Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918–1925* (Columbia, 1977), 33–56.

² Yann Decorzant, 'Internationalism and the Economic and Financial Organization of the League of Nations', in Daniel Lacqua (ed.), *Internationalism Reconfigured: Transnational Ideas and Movements between the World Wars* (London, 2011), 116–18.

³ John Maynard Keynes, *The Economic Consequences of the Peace* (London, 1919). His views were endorsed by the mercurial publicist of internationalism, Norman Angell. See Norman Angell, *The*

Although often understood as a vituperative condemnation of the reparations imposed on Germany, the argument that Keynes was advancing was a much wider one about the need to put economic stability before territorial security. By the turn of the century a sophisticated notion of the complex network of mutual political obligations between rulers and the ruled had emerged. The trend was accelerated and cemented by the impact of the First World War, which changed forever the contract between citizens and subjects, and the governments that ruled over them. Total war required governments to organize their resources on an unprecedented scale, and forced the state to demand new sacrifices of all its citizens in the name of loyalty. Allegiance to the nation at war now entailed possible death, injury, bereavement, and upheaval. To sustain its war effort, the state was prompted to extend its obligations to its people and to make changes to the political system that such undertakings implied. The promise of benefits, of course, did not guarantee their delivery. Economic and fiscal policies and tools needed to be developed to match an emerging political and social agenda, and the battle for 'rights' that ensued over the coming decades also had important consequences for international relations. The need to provide greater social security for married women whose family income was imperilled by the death of their husbands in battle, for example, created widows' pension schemes that fuelled Allied claims for reparations from the Central Powers at the Paris negotiations. More broadly, the fortunes of political parties and the legitimacy of the state were now tied, far more than previously, to the prospects of economic stability and growth, and to the opportunities for employment. The international history of the interwar period was to be shaped profoundly by the search for economic solutions that could make good on these political claims. In the 1920s, governments largely pursued international routes out of this dilemma, which the League supported. By the 1930s, however, states everywhere resorted to economic nationalism to meet the frustrated expectations of their electorates, a trend the League sought to combat.⁴

But, in 1920, the League first needed to develop the authority and power to become involved in economic and financial diplomacy. Important precedents had been established in the First World War, with economic and financial cooperation between the Allies relating to food supplies, especially wheat, and in the arrangement of international credits from US banks, which created the war debts.⁵ This cooperation spilled over in the peacetime drive to effect reconstruction in the devastated regions of western Europe through the Supreme Economic Council (SEC) founded by cabinet ministers from Britain, France, Belgium, Italy, and the United States in February 1919. The US government's withdrawal from active

Peace Treaty and the Economic Chaos of Europe (London, 1919), and Martin Ceadel, *Living the Great Illusion: Sir Norman Angell, 1872–1967* (Oxford, 2009), 240–1.

⁴ Charles Maier, *In Search of Stability: Explorations in Historical Political Economy* (Cambridge, 1987), 1–16; Martin Conway and Pieter Romijn (eds.), *The War for Legitimacy in Politics and Culture, 1936–1946* (Oxford, 2008), 1–20.

⁵ Kathleen Burk, *Britain, America and the Sineus of War, 1914–1918* (London, 1985); Martin Horn, *Britain, France and the Financing of the First World War* (Montreal, 2002); Decorzant, 'Internationalism', 115–34.

engagement with the SEC in July 1919, though never formally announced, acted as an important incentive to renew and widen collaboration among the Europeans beyond the immediate task of Belgian and French reconstruction. The need to re-engage the USA, given its emergence as the world's banker, was essential to the broader prospects of financial and economic reconstruction for the vanquished and the victors of the First World War.⁶

The founding drama of the League was primarily played out in the Council and the Assembly, which were the organization's two main governing bodies. The Assembly comprised members' delegates, while the Council was its smaller, higher authority. Its first permanent members were the British Empire, France, Italy, and Japan; these were later joined by Germany and the USSR. Members of the Assembly nominated and elected the remaining non-permanent members of the Council, who were allocated four seats in 1920, rising to six by 1933. It met for the first time on 16 January 1920 in Paris. The Assembly first convened in Geneva during November 1920, with meetings conducted in public, in keeping with the commitment to open diplomacy. The Council and Assembly were supported by a secretariat, and here too the legacy of wartime cooperation determined the personnel recruited to work for it. This was the world's first explicitly international civil service, and its activities lay at the centre of this history. It was established in London in 1920 under the direction of the Eton- and Oxford-educated civil servant Sir Eric Drummond, who became the organization's first Secretary-General. This task was very much business as usual for a British civil service well rehearsed in constructing overseas administrations, although the secretariat also borrowed notions and procedures from *de facto* worldwide organizations, such as the International Telegraph Union and the Universal Postal Union, and wartime inter-Allied committees.⁷

Drummond faced considerable challenges. Although the salary scale of League officials was often alleged to be overly generous by member states, money was in short supply and 'qualified' personnel were hard to come by. The work called for specialist skills, with lawyers and statisticians especially prized, as were those with a familiarity with (European) nations and languages. For ambitious young men, particularly those living in large, wealthier nation states, a career at home offered better prospects than one based abroad, which meant that the young men, and notably women, who went to work for the League were often driven by an enthusiasm for the 'Geneva spirit'. Jean Monnet was 30 years old when he became Assistant Secretary-General, for example, and it would be the destiny of many first hired by the League that they would still be working to facilitate international relations in the 1950s and 1960s.

⁶ Burk, *Britain, America, and the Sineus of War*, 196–225; Horn, *Britain, France, and the Financing of the First World War*, 166–86.

⁷ Marie-Cloud Smouts, *Les Organisations internationales* (Paris, 1995); Madeleine Herren, *Internationale Organisationen seit 1865: Eine Globalgeschichte der internationalen Ordnung* (Darmstadt, 2009).

The secretariat's core responsibilities were to carry out the preliminaries for meetings of the Council and Assembly, and the implementation of their instructions. But over time it assumed a broader role. Aside from essential administrative tasks—translating, publishing, and distributing documents and hosting teams of delegates and journalists—most of the preparatory drafting of documents and the technical groundwork for commissions and conferences were undertaken by the secretariat, where the League clung to the term 'technical' in preference to scientific. This was not because it feared its scientific work would fail to meet the standards of objectivity demanded by social scientists, but because it was aware that social science itself had a subjective quality. 'Technicians' working for the League were certainly influenced by American and West European efforts to model social science along the lines of natural science by stressing the production of an autonomous body of knowledge and the 'technological capacity for control', but they did not seek to make such specific claims and associations for the work of the League. Rather, the stress on 'technical' activities emphasized a commitment to the collection, collation, and dissemination of knowledge in a practical application to the cause of world peace.

At its peak the secretariat as a whole comprised more than 600 personnel, whose work provided a continuity of expertise, with many members working for the League for a decade or more. The ethnic identities of individuals drawn to the League were more complex than the state-centred registration process could accommodate. Europeans predominated within the staff, with British and French officials holding the majority of senior posts. The status of bureaucracy, however, did not shield it from the dynamic impact of ideology, notably fascism and bolshevism, which cleaved state relations within the organization, as was evident almost immediately by Fascist Italy's attempts to control, and render Fascist, Italian nationals at the League. There was no doubt that the *esprit de corps* varied from section to section. In its lifetime the Economic and Financial Section was arguably less riven by ideology than departments engaged in the League's more overtly political work, where officials had a powerful role as advocates for international coordination and cooperation in their contacts with ministries of finance, trade, foreign affairs, and war, as well as businesses, banks, universities, and specialist organizations.

Member governments wanted League investigations to be limited to the 'ascertainment of fact'. Many of the studies published by the League, especially in the early years, were powerfully shaped by this condition, which, as the US State Department noted, impeded 'study of situations or matters when they fear that such a study may injure or result in criticism of them' and were 'carefully guarded' when it came to 'critical appraisal, theoretical judgements, distribution of praise or blame'.⁸ It was ironic that the League's commitment to open diplomacy encouraged covert behaviour, but the secretariat, too, was prone to dissemblance.

⁸ Memo by Feis, 'Report to the Advisory Committee on International Relations. Research Work Conducted in Geneva', June 1929, LON, Loveday, P140/11/in- and outgoing correspondence, 1928-9, pp. 3-4.

Because its purpose was couched in the claim that it was a non-political civil service, without responsibility for policy, and was therefore independent of power, it frequently attempted to conceal the political significance of issues it wanted to subject to international examination. Little wonder, then, that these tensions resulted in long, disjointed, and sometimes incoherent reports. But published studies did not reflect the intellectual engagement and vigorous exchange of ideas and information that took place in the meeting rooms or in correspondence when the reports were being drafted. As we shall see in the case of its economic and financial work, the secretariat grew bolder in identifying and asserting its views, thereby moving beyond its prescribed powers in ensuring League advocacy on these topics were heard.

AN ECONOMIC EXPERIMENT

In 1919, while the White House and Congress were loath to commit to renewed intergovernmental cooperation on economic and financial issues, other prominent American internationalists were keen to be involved. Notable among these were Herbert Hoover, the self-made millionaire who led humanitarian efforts to feed central Europe, and the New York-based bankers Paul M. Warburg and John Pierpont Morgan, who had negotiated US war loans to Europe and were anxious to secure a return on their investments. Rallying behind a British proposal for a world financial conference, these American bankers and industrialists helped to mobilize a wide international network of finance and economic expertise out of that forged in war, with the determination to correct the failure to address finance and economics at Paris. Most striking was the coordination of a petition for financial cooperation, delivered to leading governments and newspapers, and signed by over 150 leading economists, including Keynes and his patron Arthur Pigou, and the Swedish economist Gustav Cassel; by the bankers Warburg, Morgan, Gerard Vissering, the President of the Bank of the Netherlands, and the British President of Lloyds Bank, Sir Richard Vassar Vassar-Smith; and by leading internationalists and humanitarians, such as Hoover, Lord Robert Cecil (whose experience administering Britain's wartime blockade and Chairmanship of the Supreme Economic Council meant he was eminently qualified to serve as a lobbyist for economic cooperation), and the Swiss President of the International Red Cross Committee Gustave Ador.⁹

It was thus misleading to disaggregate the contribution of an individual such as Keynes and attribute his agency alone, as some have, to the nascence of international financial cooperation. What was truly important was the cumulatively persuasive effect of this network of influential individuals on statesmen. It was

⁹ For an attempt to pin the origins on a single progenitor, see Benny Carlson, 'Who was the Most Famous Economist in the World—Cassel or Keynes?' *The Economist as Yardstick, Journal of the History of Economic Thought*, 31/4 (Dec. 2009), 521–2. *The Economist* is not a neutral source, but rather a mouthpiece of the League in this period.

marked by the convocation of the League, indeed the world's first 'International Financial Conference', in Brussels between 24 September and 4 October 1920. It marked the second world conference after Paris in what would become known as the decade of 'diplomacy by conference'. Indeed, for Maurice Hankey, the first Cabinet Secretary, who had been first choice as Secretary-General but who had declined the invitation, the League was the institutionalization of conference diplomacy that marked the great, peacemaking moments of history.¹⁰

The need to prepare for the conference prompted Drummond to create a new Economic and Financial Section under the direction of Sir Arthur Salter, Britain's former Minister for Shipping and secretary to the wartime Supreme Economic Council in Paris. He was aided by Monnet, with whom he was well acquainted from their joint work on the allied maritime transport council.¹¹ The challenge was attracting states to the conference table. The gathering was successively postponed, from May to July, and from July to September, becoming the first of many meetings to be impeded by the linked issues of the reparations, and outstanding war debts owed by the victor powers to each other, and primarily to the USA.

The calculation of how much should be charged had been entrusted by the Paris Conference to a Reparations Commission and not the League, to remove the issue from public debate, but the strategy failed. The protests of the new Weimar government against its treatment, assorted attempts at left-wing coups and right-wing putsches across Europe, and Keynes's salvo against the Paris treaties, which resounded around the world in a series of syndicated newspaper articles, stirred up a hornets' nest of international argument.¹² The richer countries of Europe, which at this stage still included Germany, may in fact have had sufficient monetary resources to clear their own path to currency stabilization, but the incumbent governments believed the domestic political costs were prohibitive.¹³ It was easier to succumb to the expedient option of blaming other nations for their inflationary difficulties—in short to blame reparations, whereas the fundamental causes were war and the costs of reconstruction—and to plead for American financial assistance.

The French government was especially compromised as it needed US and British financial support for reconstruction but resisted the Anglo-American call to allow the Brussels financial conference to address reparations in relation to Europe's other financial problems. With Germany, Austria, Hungary, and Bulgaria slated to attend, France did not want to risk its policy agenda, in which reparations payments

¹⁰ Maurice Hankey, *Diplomacy by Conference: Studies in Public Affairs, 1920–1946* (London, 1946), 21–39, 75; Roskill, *Hankey*, ii. 57–60, 64–7.

¹¹ Joseph S. Davis, 'World Currency and Banking: The First Brussels Financial Conference', *Review of Economics and Statistics*, 2/12 (Dec. 1920), 322–5. Salter was among those who had sought to link wartime proposals for a League to continued Allied economic cooperation.

¹² Bruce Kent, *The Spoils of War: The Politics, Economics, and Diplomacy of Reparations, 1918–1932* (Oxford, 1989), 17–55.

¹³ Niall Ferguson, 'Constraints and Room for Manoeuvre in the German Inflation of the Early 1920s', *Economic History Review*, 49/4 (1996), 635–66.

formed a central plank, being sabotaged by a meeting at which other victors and the vanquished could reopen the issue. War debts, or 'political debts', as they were called by the European powers who wanted to retain their association with the sacrifices and promises made in the First World War, had to be distinguished from subsequent 'commercial loans' undertaken to rebuild currency stability. The European powers also wanted to keep reparations away from the meddling of the League of Nations.

Ultimately France could not resist the range of international pressures that demanded a meeting. Yet, for all that Germany's financial woes during the early 1920s have dominated historians' attention, equally, or even more, troubling to many commentators at the time were the deteriorating fortunes of other European nation states that had succeeded the former Empires, and the deficient responses of the world's diplomats and financiers. An economic failure at the heart of Europe threatened to leave millions destitute and create a dangerous power vacuum into which Bolshevik agitators, or (though less feared) military, revanchist leaders could surge. In exchanges among European leaders, the fate of the successor states of central and eastern Europe, products of the Paris Peace Conference and allies of France, demanded urgent attention. Even for the British, the possibilities of a League meeting seemed worth pursuing: the resort to the League reflected the wider move to integrate it into the heart of British diplomacy in 1920.¹⁴

In the eight months between the conference announcement and its convocation in Brussels in September, the inflationary spiral, and with it social and economic hardship, continued to worsen. For Austria, Germany, Hungary, and Poland, international financial aid was not optional but imperative to effect economic (re) construction and currency stabilization. The new Austrian republic succumbed to hyperinflation after October 1921, with a monthly inflation rate of 46 per cent and unemployment running at over 33 per cent; in Hungary inflation was to grow 33 per cent per month between March 1923 and February 1924, with rising unemployment and poverty levels to match.¹⁵ The conference was called 'with a view to studying the financial crisis and looking for the means of remedying it and of mitigating the dangerous consequences arising from it', subject however to the very firm instruction that 'none of the questions which are the subject of the present negotiations between the Allies and Germany should be discussed at the Conference'.¹⁶ The proviso clearly underlined the limits of state willingness to open up key economic issues to League scrutiny. Rather, member states wanted to use the meeting to make the case to international financiers, notably in the USA, which

¹⁴ An otherwise meticulous study of Britain's relationship with the League takes no account of the role of economics and finance in shaping Britain's relationship with the League once the organization was founded, although economic issues were there in the planning: Peter J. Yearwood, *Guarantee of Peace: The League of Nations in British Policy, 1914–1925* (Oxford, 2009), 66–7.

¹⁵ Hyperinflation is defined in relation to episodes of chronic inflation, out of which it usually arises, by its fluctuating rate (it does not plateau) and its exponential acceleration. For an analysis of these episodes' impact on unemployment, and a revealing illustration of the degree to which economists continue to rely on EFO's data, see Elmus Wicker, 'Terminating Hyperinflation in the Dismembered Habsburg Monarch', *American Economic Review*, 76/3 (1986), 350–64.

¹⁶ World Peace Foundation, *Report on the Brussels Financial Conference* (Boston, 1920), 2.

had assumed the role of the world's banker, for financial aid to central and eastern Europe. The conference was attended by eighty-six delegates from the banks and treasuries of thirty-nine nations, although significantly they were designated as 'experts' and not official government representatives.¹⁷ Their declared intention was to exchange intelligence and ideas on how to combat an unprecedented financial crisis that was the result of an unprecedented war; they were there to analyse and recommend, not to set policy machinery into motion, and this framing put statisticians and economists centre stage.

To meet the Council's request to develop as complete a picture as possible as to the health of the global economy, the secretariat requested that states and their banks submit information on currency, public finance, international trade, retail prices, and coal production.¹⁸ Alexander Loveday, a 30-year-old Scottish statistician hired by Salter in July 1919, took the lead in carefully sifting the data, developing interpretations, and offering commentaries on the different statistical methodologies applied by various countries to, for example, valuing international trade.¹⁹ He was in charge of the fledgling Economic Intelligence Service that comprised part of Salter's section and established a preliminary conference on the standardization of national statistics for international use, which was seen as marking a 'great advance in the utilization of statistics' internationally.²⁰ But preparations did not end with intelligence gathering. The secretariat's request for members' policy suggestions on how to address the crisis went unanswered, so it commissioned proposals from prominent European economists and circulated them with its own. This resulted in individual papers by prominent economists Maffeo Pantalonì, Charles Gide, Gijsbert Bruins, Arthur Cecil Pigou, and Gustav Cassel, as well as their jointly drafted statement calling for governments to reduce their expenditure (singling out subsidies and military expenditure in particular), the resumption of international lending, and the restoration of the gold standard and normal patterns of trade. There were also, however, some marked differences of opinion between them, and here it was Cassel, in particular, who made the biggest impact.

His widely praised 'Memorandum on the World's Monetary Problems' set out the causes and dangers of inflation, and a subsequent text established the risks of deflation, in which he effectively dismissed the arguments of those who believed the rising levels of inflation could be explained simply by the post-war shortage of supplies.²¹ Cassel offered a lucid and sophisticated multi-causal analysis of the financial crisis that was rooted in state behaviour during the war and immediate

¹⁷ Of the major powers, only Russia, Turkey, Mexico, and Chile were absent. The USA was represented by Boston lawyer R. W. Boyden, who worked with the Reparation Commission.

¹⁸ For the complete data set, see League of Nations, *Brussels Financial Conference, 1920: The Recommendations and their Application* (2 vols; Brussels, 1922), vol. i, C.10.M.7.1923.II.

¹⁹ File 'Loveday, Alexander', LON, Personnel File, S820.

²⁰ Davis, 'World Currency and Banking', 350.

²¹ Gustav Cassel, 'Memorandum on the World's Monetary Problems', was published as *The World's Monetary Problems* (London, 1921). See also League of Nations, *Supplement to Report No. XIII. (3.): Summary of Recommendations Included in the Memorandum on the World's Monetary Problems by Gustav Cassel* (London, 1921).

post-war period.²² The cure, he proposed, was the internationally coordinated return to stable currencies, although it was predicated neither on the unadulterated reconstruction of the gold standard, nor on the need to force prices down before stabilization was effected. He argued that price stability was the key issue and he recognized deflation, particularly US deflationary policy (on which he offered an especially prescient and pointed commentary), potentially posed as great a danger as inflation to the future prospects of economic growth and social stability. In the direct, sometimes terse, language that was his hallmark, he also dismissed calls to re-establish exchange rates at the same rates as before the First World War—a step subsequently taken by the British government in April 1925 to demonstrate the virility of the British economy, with disastrous results.

Cassel also used the League as an opportunity to secure an international audience for studies he had been doing on developing the Ricardian doctrine of ‘purchasing-power parity’ (PPP). It was later adopted by countries, such as Belgium, as a means to calculate currency deflation in their toolkit to manage membership of the gold standard.²³ The concept lives on today as a means of comparing generalized standards of living between different nations. PPP linked fluctuating exchange rates to the prices paid for goods and services in any two countries, and helped to identify comparative inflation rates and transaction costs, although it struggled to include a cultural sensibility to the definition of a stable good.²⁴ What was really key in the 1919 debate triggered by Cassel’s revival of a seventeenth-century idea was the emphasis it placed on *relative* prices, an essential motor in determining patterns of production and trade in a global economy. The relational quality of national economic performance and fortunes in reintegrating the world economy became a central motif of the Brussels Conference. It enabled government and independent experts to think in explicitly comparative terms about which states were coping well, which badly, and why.

Cassel and his colleagues helped the delegates develop a series of prescriptions for domestic action, but the Brussels Conference did not result in any substantive agreement. In central and eastern Europe, in particular, the inflationary crisis continued unabated. From the League’s perspective, however, the meeting marked a significant departure in a number of new directions. First, the conference established its entitlement to engage in economic diplomacy. The secretariat had succeeded in gathering together a collection of advisers, financiers and statesmen—with only the latter engaging in some ungentlemanly sneering—who grappled with the central question of how to reinvigorate global capitalism.²⁵ This group

²² Cassel, *The World’s Monetary Problems*, summarized in *The Economist*, 21 Aug. 1920, p. 291; untitled review of Cassel’s memos by N. R. Whitney, *American Economic Review*, 12/3 (Sept. 1922), 515–17.

²³ Isabelle Cassiers, *Croissance, crise et régulation en économie ouverte: La Belgique entre les deux guerres* (Brussels, 1989), 173–83.

²⁴ For a wider evaluation, see Paul A. Samuelson, ‘Gustav Cassel’s Scientific Innovations: Claims and Realities’, *History of Political Economy*, 25/3 (1993), 515–27; Lars Magnasson, *Gustav Cassel, Popularizer and Enigmatic Walrasian* (London, 1991). A modern, simplified version of Cassel’s PPP is the ‘Big Mac Index’.

²⁵ Decorzant, ‘Internationalism’, 7–8.

endorsed Salter's assertion that governments and the League needed reliable and internationally comparative data against which to evaluate national performance, and to find coordinated, workable solutions to the financial crisis and economic reconstruction that would benefit the international economy as a whole. It was out of this recognition that the League of Nations was able to build an effective case for maintaining and developing its role in economic and financial relations.

Secondly, the conference determined the rudiments of what would become the League's methodological approach, markedly different from the central bank diplomacy that helped to reconstruct the international gold standard, which was characterized by elitism, an absence of accountability, and dogmatic commitment to the gold standard.²⁶ The League wanted to discuss economic and financial issues in the open, and to bring a heterodox community of experts from banks and the academe (albeit adhering in some measure or other to the tenets of liberal economics) together with politicians. It published a large and widely disseminated collection of well-received comparative intelligence on national financial and economic performance, and academic papers, such as that of Cassel, which gave it intellectual authority and an independent, critical perspective on the actions of nation states and financiers. Brussels also illustrated the League's ability to recruit nationally respected economists and to propel them onto the international stage. These were often people with a flair for promotion, the skill to communicate their ideas in more than one language, and the expertise to write reports informed by scientific insight that were intended to provoke a political response. The League's emerging working practices reflected the technocratic spirit of the age: as Frank Aydelotte, an Oxford-educated American educationalist and League enthusiast put it, 'the problems of the modern world' had proven themselves 'too complicated for rule-of-thumb solutions. They can be solved only by experts, by scholars.'²⁷

Thirdly, the conference demonstrated a move to political independence by embracing Lloyd George's attempts to integrate Germany and the USSR into the European peace settlement, issuing invitations that had been so markedly absent in Paris.²⁸ The step was seen by *The Economist* 'as evidence of a dawning of sense among the leaders of the Allied peoples'.²⁹

All this work reinforced the nascent section of the secretariat devoted to economic and financial issues, which was recognized in the only formal recommendation of the Brussels Conference: the establishment at the League of a provisional 'committee of bankers and businessmen to frame measures to give effect to certain decisions of the Conference'.³⁰ The resolution was a striking departure from the

²⁶ See, e.g., Liaquat Ahamed, *Lords of Finance, 1929: The Great Depression—and the Bankers who Broke the World* (London, 2010), 179–250.

²⁷ 'Report of the Director', 14 Oct. 1940, Library of the Institute for Advanced Study, Princeton.

²⁸ Cohrs is wrong to assert Genoa was the first post-war conference to which Germany and the USSR were invited. See Patrick O. Cohrs, *The Unfinished Peace after World War I: America, Britain and the Stabilisation of Europe, 1919–1932* (Cambridge, 2006), 73.

²⁹ Cassel, 'The World's Monetary Problems', *The Economist*, 21 Aug. 1920, p. 291.

³⁰ League of Nations, *The Committees of the League of Nations: Classified List and Essential Facts* (Geneva, 1945), 37. Walters misses these discrete origins. See Frank P. Walters, *A History of the League of Nations* (Oxford, 1952; 2nd edn, 1965), 77.

state-centred focus of the Covenant. The resulting Joint Provisional Economic and Financial Committee was not officially an intergovernmental forum, but rather a body made up of ‘independent experts’, in theory nominated by the Council but, as we shall see, frequently proposed by the secretariat. Committee members could originate from member and, crucially, non-member states, and need not represent their national governments in an official capacity. As a result, the provision opened up international space with the potential for frank negotiations on economic and financial questions. (The League’s publications did not reflect this, because published reports of negotiations had to be agreed by all the participants, and so the gap between the archival and published record was often cavernous.) It was also kept deliberately unclear whether these ‘experts’ were to be bankers, businessmen, politicians, scientists, or civil servants, because it was recognized that these categories were porous—economists could become civil servants, civil servants went to work for central banks, and so on.³¹ The main concern was to secure the best talent available—understood in terms of economic expertise, financial influences, and political links—to be supported by a designated section of the secretariat. Prior to Brussels, the League secretariat had one member of staff responsible for economic and financial intelligence; by 1922 it had thirty-six (the disarmament section could still boast only eleven members of staff, the mandates four, while those working on social questions, hygiene, and opium trafficking numbered two apiece).³² Brussels had established a platform from which to imagine, categorize, and measure the world, and its regions and nations.³³ It was to generate the first global institution to attempt to measure and consistently to compare constituent parts of the world, giving statisticians a prominent and fast-growing role within the secretariat.

The novelty and importance of the new arrangement was recognized immediately, but the construction of this discrete economic and financial agency could not yet claim to be an organization in its own right. The word ‘Provisional’ was in the title precisely because there were those, including members of the British government, who feared that the creation of an economic and financial dimension to the League would impinge upon national sovereignty; invite consideration of sensitive central and commercial banking activities; and provide a new means through which other governments could challenge the British Empire, because it created the possibility to effect a multilateral diplomatic strategy on meagre resources.³⁴ The

³¹ League of Nations, *The Committees of the League of Nations*, 37. This arrangement of a committee composed of ‘independent experts’ acting in lieu of national delegates when considering policy on an especially contentious subject is an approach that would also be adopted for the issue of disarmament. See Andrew Webster, ‘Absolutely Irresponsible Amateurs: The Temporary Mixed Commission on Armaments, 1921–1924’, *Australian Journal of Politics and History*, 54/3 (2008), 373–88.

³² In 1920, the secretariat totalled 57 staff; by 1922 it stood at 218. The two major areas of growth were internal services (including office keepers, postal, and housekeeping staff, chauffeurs and lift boys) and the Economic and Financial Section. League of Nations, *Permanent Staff List of the Secretariat* (Geneva, 1920); *Staff List of the Secretariat* (Geneva, 1922), C.246 (a).M.137 (a).1922.X.

³³ An approach so far adopted primarily by historians of the nation state. See Michael Billig, *Banal Nationalism* (London, 1995).

³⁴ Victor-Yves Ghébal, ‘The League of Nations and Functionalism’, in A. J. R. Groom and Paul Taylor (eds), *Functionalism: Theory and Practice in International Relations* (London, 1975), 141–61.

French, the League's other major paymaster, shared this concern. Central bankers were also nervous of League intervention—one of the most outspoken critics was the President of the Federal Reserve Bank of New York, Benjamin Strong Jr, who effectively led the US banking system. International scrutiny, especially because the world public seemed so enthused by the League, risked unwelcome attention to their activities. By contrast, the approach of Montagu Norman, the Governor of the Bank of England, was to prove characteristically double-edged: he was keen to exclude the League from scrutinizing British and imperial financial affairs, but was willing to use Geneva to stabilize central and eastern Europe, and to secure access to American investment to effect the reconstruction of the international financial system disrupted by war and its aftermath.³⁵ Elsewhere central bankers in smaller European states had their backs to the wall, and hoped that the League would afford an opportunity to apply pressure upon, and to educate, the new world's banker as to what was expected of it in challenging times. It was clear the power to determine the agenda of financial diplomacy remained with the richest nation states and their central bankers, and notably with the League's most powerful refusenik, the USA.

Yet, once the momentous decision to create an intergovernmental and expert group, with its own civil service to coordinate international economic and financial relations, had been taken, the next major step in efforts to stabilize the world economy sidestepped the League. From 10 April to 19 May 1922, a successor conference, the 'International Economic and Financial Conference', was convened in Genoa under the auspices of the British and French governments, and not the League of Nations. This was so that the USA would attend. The Coolidge administration agreed to participate, albeit reluctantly, still arguing that the real challenges before Europe were political and that the continent needed to solve them without the intervention of the USA: reparations needed to be resolved, war debt payments to the USA resumed, and armaments expenditure curtailed. None of these issues, it argued, required the agency of the USA and hence none were permitted on the conference agenda.³⁶ The lack of unity among the former Allied and Associated powers was reinforced by French (and behind the scenes American) opposition to Britain's aspiration to invite Germany and the USSR to Genoa. Meanwhile, frustrated by their pariah status, the two outsiders took the bold step of signing the Rapallo Treaty on 16 April to restore diplomatic and trade relations between them. Their bilateral response, in part, reflected the wider breakdown of multilateral negotiations and demonstrated, paradoxically, the ability of isolated and

³⁵ Although we know much about their policies towards the Brussels and Genoa conferences, Norman's and Moreau's attitudes towards the League demand further investigation in the light of Peter Yearwood's stress on the centrality of the League to British foreign policy more generally in this period.

³⁶ Carole Fink, *The Genoa Conference: European Diplomacy, 1921–22* (Chapel Hill, NY, 1984), 69–105; Carole Fink, Axel Frohn, and Jürgen Heideking (eds), *Genoa, Rapallo and European Reconstruction in 1922* (Cambridge, 1991), esp. Peter Krüger, 'A Rainy Day, 6 April 1922: The Rapallo Treaty and the Cloudy Perspective for German Foreign Policy', 49–64; Kenneth Mouré, *The Gold Standard Illusion: France, the Bank of France, and the International Gold Standard, 1914–1939* (Oxford, 2002), 52–7.

ideologically opposed powers to make a deal on a bilateral basis in secret, in contrast to states with publicly declared and shared aims that sought multilateral agreement.³⁷

On the face of it, negotiations at Genoa were no more productive than those held at Brussels. Although at Genoa delegations comprised government representatives as well as experts (the same ones who had attended Brussels), they again agreed that currency stabilization and the reconstruction of international trading patterns would best be served by a return to gold, but unanswered questions as to how and when to effect this hung in the air like stale cigar smoke.³⁸ Where the conference did make progress, after decisive intervention by delegates from the Bank of England, was in defining the mechanics of international monetary cooperation once countries had returned their currencies to gold. State delegates endorsed the principle of coordinated central bank cooperation to secure price levels as well as exchange stability, the approach as taken before 1914. In other words, the world's most powerful central banks agreed to work together to help any member currency threatened by depreciation. Given the world shortage of gold, it was also agreed that countries could top up their gold reserves with foreign exchange that was itself backed by gold (this invariably meant US dollars).

Although neither the Brussels nor the Genoa conference had brought the financial crisis to an end, both meetings produced advances, and discussions helped to clarify the key issues at hand. They identified the nations most at risk of economic and financial collapse, and established a consensus as to the best means to resolve the crisis: the reintroduction as promptly as possible of the international gold standard. From the European perspective, negotiations also determined that the preferred means by which this was to be effected was through the agency of central and commercial banks, supported when possible by the financial power of the United States. Although Lloyd George has been given the credit by some for the attempt to use economic cooperation as a means to facilitate a political rapprochement between the 'winners' and the 'losers' of Versailles, an international financial network stood behind this approach. And, while the conference strategy championed by Lloyd George may have sunk without trace after Genoa, the wider community of British policy advisers and financiers, notably Norman, remained in place. So, too, did the quest to re-create, as far as possible, the liberal economic order of the late nineteenth century that lived on in the minds of centrist politicians across Europe. Clear ideological lines around parties were harder to draw when it came to economics, as many social democrat (or in Britain Labour) politicians, as well as liberals, conservatives, moderate nationalists and centre political parties, cleaved to the 'world of 1913 [which] seemed to most of us a paradise from which we had been excluded by a flaming sword'.³⁹

³⁷ Harmut Pogge von Strandmann, 'Rapallo—Strategy in Preventative Diplomacy: New Sources and Interpretations', in Volker R. Berghahn and Martin Kitchen (eds), *Germany in the Age of Total War* (London, 1981), 123–43.

³⁸ Charles Martin and Édouard Montpetit, *La Conférence de gènes en vue de la reconstruction économique de financière de l'Europe* (Ottawa, 1922).

³⁹ Arthur Salter, *Memoirs of a Public Servant* (London, 1961), 193.

Norman's stress on central bank cooperation at Genoa, though an approach that privileged a private, market-based solution rather than a public, intergovernmental one, moved away from ideas embodied in the League. Nevertheless it foregrounded the need for multilateral cooperation among disparate groups within national political economies, and between states. The League was not yet trusted as a venue where these issues could be thrashed out, but it was becoming increasingly clear such a forum was needed. In the meantime, patterns of work were being established that made the organization an essential clearing house for the exchange of information, techniques, and contacts, and that brought the uneven, yet interwoven character of the global economy more clearly into view. The problem remained that the state with the financial power to give the League real clout, the USA, would not yet participate in its activities, proving that finance was not readily separated from politics. Indeed, for most states after the First World War, politics were all about finance. The battle for currency stability required governments to reduce budget deficits to match bankers' and economists' expectations; and businessmen, trade unions, and the general public had, in uneven measure, to fall into line if they wanted to avoid the political violence that already pock-marked central Europe. It took a further toxic dose of inflation in central and eastern Europe and the invasion of the Ruhr before the answers to the European crisis were found, and League intervention helped to establish an international agenda for future work.

STABILIZATION AND DEVELOPMENT: GOING EAST

The inflationary crisis of the new states on Germany's frontiers is usually considered separately by historians, who present Weimar's restabilization as the prelude to the promising, but ultimately short-lived, European peace of the 1920s.⁴⁰ But, at the time, the connections and 'differences between' Germany and nations forged from the late Austro-Hungarian Empire were understood to be 'of degree rather than of kind'.⁴¹ The League could not do much to help Germany's financial crisis, because it was not a member of the League; because the scale of the financial aid needed meant the USA (another non-member) had to participate to make any rescue package viable; and because divisions had opened up between Britain and France—the League's power-brokers—over Poincaré's decision to occupy the Ruhr in January 1923. The League did contribute, however, by offering assessments on

⁴⁰ International historians generally stress the 'primacy of economics' in their accounts of the 'failure' of Weimar Germany, while focusing on minority rights and the 'primacy of nationalism' in their narratives of democracy's collapse in other eastern and central European countries. See, e.g., Steiner, *The Lights that Failed*. For economic historians, the interconnection, articulated through capital flight and an infectious collapse in confidence, is much more obvious. See Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton, 1996), 47–55.

⁴¹ See 'Trade Doubts', *Manchester Guardian*, 23 Aug. 1921, p. 6; 'Difficulty of Doing Business', *New York Times*, 22 Jan. 1923, p. 22; 'From Private Correspondence', *The Scotsman*, 2 Nov. 1921, p. 7.

German capacity to pay to members of the Dawes Committee and more significantly, through the League coordinated rescue of Austria.⁴²

As the custodian of the principle of self-determination through which the new nations were articulated from the old Austro-Hungarian, Russian, German, and Ottoman empires, the League had a special relationship with the successor states of central and eastern Europe from the beginning. The Brussels Conference had drawn attention to the desperate plight of the new Austrian republic, which had inherited ballooning inflation, debts and reparations, an expensive and oversized bureaucracy, and a starving population. In 1922, calculations by the League secretariat indicated that, without outside help, the new state would be bankrupt by the middle of June 1923. Lobby groups that had fought to found a League, notably the British-based League of Nations Union, argued that the Economic and Financial Section had demonstrated the case for action, and the organization needed to step in to save not just Austria but all Europe from financial ruin.⁴³

Formally, the League's intervention was triggered by the Allied Supreme Council's decision to decline the Austrian Chancellor Ignaz Seipel's pleas for help in August 1922.⁴⁴ In fact, behind the scenes, efforts to put together a private Anglo-American financial package to stabilize Austria had been developing for some time, but it was when the Provisional Economic and Financial Committee of the League became involved that a shared view of the problem and a viable solution emerged between the distressed and the putative rescuers. This, in turn, generated sufficient confidence for stability—financial, economic, and political—to take hold.⁴⁵ (It was during this rescue that the League claimed for the first time to contain 'specialist organizations', of which the provisional committee became an Economic and Financial Organization, an EFO.)⁴⁶

It was not the case that the League was immediately able to come to the rescue where others had failed. Early League efforts to help Austria also came to naught. In 1921, it had helped to devise the Ter Meulen scheme, the brainchild of the Dutch banker K. E. Ter Meulen, which marketed state-guaranteed bonds that proved cumbersome and unattractive. The office opened by the League in London in 1921 to sell bonds in Austria closed without custom after a year. What changed in 1923 was that Salter returned to Geneva after his brief and unhappy sojourn as chairman of the Reparations Commission, to take charge of the EFO. He used the newly

⁴² Salter was the mediator. See Walters, *History of the League*, 262; Nathan Marcus, 'Credibility, Confidence and Capital: Austrian Reconstruction and the Collapse of Global Finance, 1921–1931', unpublished Ph.D. thesis, New York University, 2010, pp. 50–70.

⁴³ Drummond D. Fraser, *Credit or Chaos: The Ter Meulen Credit Scheme of the League of Nations* (London, 1921); Marcus, 'Credibility, Confidence and Capital', 70–3.

⁴⁴ K. Klemperer, *Ignaz Seipel: Christian Statesman in a Time of Crisis* (Princeton, 1971); Walter Layton and Charles Rist, *The Economic Situation of Austria* (Geneva, 1925); M. Healy, *Vienna and the Fall of the Habsburg Empire: Total War and Everyday Life in World War I* (Cambridge, 2004); Herbert Hoover, *Three Years World of the American Relief Administration in Austria* (Vienna, 1922).

⁴⁵ It received considerable, but not entirely flattering, publicity in Britain. See, e.g., A. M. Innes, 'The Ter Meulen Scheme', *Economic Journal*, 31/124 (Dec. 1921), 544–7; Frank Bayersdorf, "'Credit or Chaos'? The Austrian Stabilisation Programme of 1923 and the League of Nations', in Lacqua (ed.), *Internationalism Reconfigured*, 136.

⁴⁶ League of Nations, *Staff List of the Secretariat* (Geneva, May 1922), C.246(a).M.137 (a).1922.X.

expanded office and wartime contacts to devise, with the cooperation of the Bank of England, a multilateral programme of private financial and intergovernmental support that brought stability, albeit at a hefty price, to Austria.⁴⁷

Key, too, were relationships between Salter's young and enthusiastic staff, including Loveday and the Swedish economist Per Jacobsson, and British officials with whom the section developed long-standing associations, including Otto E. Niemeyer, chairman of the Financial Committee and a senior figure in the British Treasury, who went on to work for the Bank of England, and Henry Strakosch (a naturalized South African born in Vienna), who had close connections to Threadneedle Street. Together they persuaded the governments of Britain, France, Belgium, Italy, Czechoslovakia, the Netherlands, and Spain to guarantee bonds that would be marketed by major Austrian banks in New York and London.⁴⁸ These states were largely, but not exclusively, Council members, and, although the US administration did not sign up, J. P. Morgan & Co. was an important supporter and investor behind the scenes.⁴⁹ In return, the Austrian government offered up its state income from its monopoly on tobacco and customs revenues as collateral.

The financial security afforded foreign investors by this arrangement was reinforced by a series of extraordinary political guarantees that, for the first time, handed financial oversight of a nation state to an intergovernmental organization.⁵⁰ The Geneva Protocol negotiated through the League Council in October 1922 required Austria to establish an independent central bank and restabilize its currency on the international gold standard. (Remarkably, it was thus one of the first nations among those that had suspended their membership during the war to return to gold.) League intervention, and the measures it insisted the Austrian government take, made this restabilization credible. It agreed to a rigorous programme of fiscal retrenchment: food subsidies were cut and state expenditure was slashed. Some 50,000 civil servants were sacked, although pension costs of former officials who had once administered the empire remained a considerable drain on resources.⁵¹ In Stefan Zweig's eulogy to the lost Austrian republic, this was the dark, hostile environment in which his *Post Office Girl* eked out her shamefully poor existence, set in painfully sharp relief by the thoughtless

⁴⁷ Arthur Salter, *Slave of the Lamp: A Public Servant's Notebook* (London, 1967), 95–8; Denis Rickett, 'Salter, (James) Arthur, Baron Salter (1881–1975)', *ODNB*.

⁴⁸ It was Strakosch who drew up the detailed plans for security and dissemination of the bonds. See Bayersdorf, "'Credit or Chaos'", 10–11. Strakosch was also a vocal advocate in the British press, arguing for a 'gradual and cautious' British, but preferably multilateral, 'policy of [currency] stabilisation in Europe. See, e.g., 'Money and Stocks', *Manchester Guardian*, 6 Apr. 1922, p. 15.

⁴⁹ Bayersdorf, "'Credit or Chaos'", 142–3. He argues that Morgan delayed participating in order to maximize the terms of J. P. Morgan's investment.

⁵⁰ A point powerfully stressed by Louis Pauly, who also poses the equally pertinent question of *Who Elected the Bankers? Surveillance and Control in the World Economy* (Ithaca, NY, 1997).

⁵¹ For Marcus, it was League intervention alone that changed 'people's expectations about the political future and its economy and currency', and he offers a detailed account of its labours. See Marcus, 'Credibility, Confidence and Capital', 92–145. For the impact of pensions, see 'Minutes of 17th Session of the Financial Committee', LON, F.17th Session/P.V. 2(1) 1st Part.

benevolence of a wealthy American aunt who unexpectedly opens the door on a new world glittering with possibilities, only brutally to slam it shut.⁵²

The international community's commitment and control over the formulation of Austria's path to recovery was reinforced by the appointment of a Commissioner General of Austrian Finances for the League, the former mayor of Rotterdam, Alfred Rudolph Zimmerman. A powerful personality and liberal of the classic nineteenth-century variety who had a deep antipathy to socialism and socialists, Zimmerman set up shop in 'Red Vienna', supported by experts from the League's Economic and Financial, and Information, Sections.⁵³ He collated and analysed intelligence as to Austria's budgetary and monetary performance, sending in monthly reports to the Council, which in turn authorized the release of tranches of financial aid to Austria. For the next two years Zimmerman enjoyed extraordinary powers, determining when and where Seipel's government spent or cut expenditure. His relations with Austrian politicians became deeply fractious, as he became the personification of unwelcome international interference in the new country's political and social programmes, which marked a subversion of the principle of national sovereignty that the League was supposed to hold so dear.

In immediate financial terms, however, Zimmerman delivered. By 1924, the Austrian budget was back in the black, and news of this League 'success' was widely publicized. Another member of the League team in Austria was the young Dutch journalist Adrianus Pelt, a member of the Information Section. In 1922 in Vienna, Pelt established a sophisticated strategy to disseminate 'good news' about Austria's recovery to reassure the markets and energize a virtuous circle of confidence that would facilitate its recovery. Salter and the Economic and Financial secretariat were central to this strategy, analysing and disseminating financial intelligence on Austrian performance supplied by Zimmerman, and drafting reports for Pelt to publish and for companies such as J. P. Morgan & Co. to pass on to investors.

J. P. Morgan's perspective was crucial, because its participation, secured in May 1923, brought in other European investors, notably from France and Italy, who were sufficiently reassured by the American interest to buy bonds themselves.⁵⁴ But progress was not straightforward. Persuading investors to buy bonds on longer terms, which were cheaper and more stable than short-term credits, took more time than Austria and the League would have liked. Nevertheless, within six months the Austrian economy had been stabilized. Montagu Norman was certainly keen for the bankers, and especially Morgan's, to take the credit, and grew rather resentful that the rest of the world preferred to praise instead the League's 'non-rationalistic

⁵² Stefan Zweig, *The Post Office Girl* (London, 2009), 15.

⁵³ J. L. J. Bosmans, *De Nederlander Mr A. R. Zimmerman als Commissaris-Generaal van de Volkenbond in Oostenrijk 1922-1926* (Nijmegen, 1973); Alfred R. Zimmerman, *Principiële Staatkunde* (2nd edn; Rotterdam, 1932). Although Salter later claimed he was unaware of Zimmerman's anti-communism, it is clear Pelt left him in no doubt as to the major's anti-communist credentials, which had strong appeal in British financial circles. See Drummond and Monnet to Salter, 8 Dec. 1922, and Pelt to Salter, 31 Oct. 1922, LON Salter, S109 2/4/1.

⁵⁴ Mussolini's behaviour and that of his Italian Minister in Vienna, Orsini, however, were a frequent obstacle. See Zimmerman to Salter, 12 May 1923, LON, Salter, S109, 2/4/1.

& almost altruistic endeavours'.⁵⁵ While it was true that its economic and financial agency did not deserve all the acclaim showered upon it—it had not risked its own money in the crisis, because it had no stabilization funds of its own—its ability to marshal evidence and to disseminate it to the wider network of governmental and financial institutions was central to the rescue. The League was a constant voice in explaining why it was in the world's interest that the new republic be helped, and changed political debate and financial expectations within Austria. Its regular reports from the field added a dramatic counterpoint to liberal anxieties fuelled by the recent failed communist revolutions in eastern and central Europe and the recent Bolshevik victory in the Russian civil war.

The Austrian model was an important vindication of the League's broadening interest in economic and financial affairs, especially given the currency chaos unleashed in Germany following successive defaults on reparations and the Franco-Belgian invasion of the Ruhr launched on 11 January 1923. Austria validated the League's stress on coordination and cooperation. The 'ruhrnation' of Germany, as the press called it, which was taking place simultaneously, illustrated the likely consequences if these principles and the League were circumvented. France's unilateral decision to invade the Ruhr, with a reluctant Belgium in tow, stood in contrast to the internationalism of the rich 'uncles', the network of bankers coordinated by the League.⁵⁶ It was only later, as the EFO's staff numbers and reach grew, and the gold standard order began to fail, that this cooperation began to break down.

Historians disagree about whether the League's stabilization of Austria worked to the republic's advantage in the long run. There was certainly immediate pain—the higher the inflation rate the greater its acuity—and with stabilization came increased taxes, and cuts in state welfare and employment provision; real interest rates went up while opportunities to secure domestic credit declined. Not without justification, in the eyes of the popular press, the League Commissioner of Vienna took on the appearance of the Governor-General of an occupying colonial power. Austrian democracy was forever tainted in the eyes of nationalists for ceding fiscal sovereignty to an internationalist authority. However, without the League's intervention it is hard to see how Austria's crisis would have ended, and, when League oversight was removed in 1926, financial problems soon returned.⁵⁷ If, as Knut Borchardt famously put it, the Weimar Republic had 'no room to

⁵⁵ Cited in Bayersdorf, "Credit or Chaos?", 148.

⁵⁶ Niemeyer to Salter, 20 Aug. 1922, and Charron to Salter, 16 Aug. 1922, LON, Salter, S104, 2/8/2.

⁵⁷ For an overview of the options before Austria, see Jens-Wilhelm Wessels, *Economic Policy and Microeconomic Performance in Inter-War Europe: The Case of Austria, 1918–1938* (Stuttgart, 2007), 19–34. Marcus's demarcation of the debate challenges accounts that privilege the social and political pain occasioned by the League's intervention, especially to the left of Austrian politics, typified by Karl Aussch, *Als die Banken fielen: Zur Soziologie der politischen Korruption* (Vienna, 1968), 75–113. Rost van Tonnigen's tenure as League Commissioner after 1926 underlines the League's preference for stability over democracy, and the potential for its agents to embrace the politics of the far right. See Peter Berger, *Im Schatten der Diktatur. Die Finanzdiplomatie des Verters des Völkerbundes in Österreich, Meinoud Marius Rost van Tonnigen, 1931–1936* (Vienna, 2000).