



Experts of the World Economy: European Stabilization and the Reshaping of International Order, 1916-51

Citation

Martin, James R. 2016. Experts of the World Economy: European Stabilization and the Reshaping of International Order, 1916-51. Doctoral dissertation, Harvard University, Graduate School of Arts & Sciences.

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Experts of the World Economy:
European Stabilization and the Reshaping of International Order, 1916-
51

A dissertation presented

by

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To

The Department of History
in partial fulfillment of the requirements
for the degree of
Doctor of Philosophy
in the subject of
History

Harvard University
Cambridge, Massachusetts

September 2016

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Experts of the World Economy: European Stabilization and the Reshaping of International
Order, 1916-51

ABSTRACT

This dissertation traces the origins of the earliest international schemes to manage the world economy between the middle of the First World War and the conclusion of the Second. It follows the emergence of a transnational network of economic experts, affiliated with the League of Nations and the International Labour Organization, who attempted to create a new form of international administration in response to the challenges of stabilizing Europe after the First World War. These experts included economists, statisticians, bankers, officials from various state bureaucracies, and international civil servants from many different European states, including France, Britain, Germany, Austria, Italy, and Sweden, as well as from the United States. It investigates how they developed a new role for the economic expert on the international stage in response to a series of crises: the food, raw materials, and shipping shortages of the First World War and its immediate aftermath; the hyperinflation of postwar Austria; the deflationary crisis of 1920-1; and the Depression. Their efforts not only helped to reshape the imagination and practices of international governance, but the research they sponsored also transformed how the “world economy” was understood. Their work was not radically interrupted by the outbreak of the Depression and the Second World War; rather, it provided sources of expertise and techniques of governance for Anglo-American plans to reshape international order after the Second World War. Drawing on documents from over twenty archives, this dissertation shows how dominant conceptions of sovereignty, international organization, and capitalism were

transformed during this period of serial crisis, and how the unorthodox idea of bringing the world economy under international bureaucratic control became a new common sense. In so doing, it locates the long-term intellectual, political, and institutional origins of the international economic order created after the Second World War, and of the kind of international technocratic management of global capitalism that persists to this day.

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ACKNOWLEDGEMENTS

There were many people who helped to shape this project and who provided support, encouragement, and friendship during my years at Harvard.

First, I am deeply grateful to David Armitage. Not only did David help me to imagine the original idea for this project, but his enthusiasm and intellectual engagement were indispensable as it took shape. His insightful comments on my writing, and the many conversations we shared, consistently renewed my excitement in scholarship and encouraged me to push the project in new directions. I am so thankful for having been able to count on his support and guidance. Throughout my graduate work, Charles Maier constantly challenged me to sharpen and broaden my understanding of the history of Europe and the modern international system, and I owe to him both the inspiration for the shape of this project and the conceptual tools that I brought to it. I am also very grateful to Samuel Moyn for his help refining the critical and historiographical stakes of the project, and his feedback on so many pieces of writing. His support was invaluable. Adam Tooze provided intellectual inspiration, friendship, and incredibly detailed comments on the entire dissertation. I am lucky to have had the experience of co-authorship with him, and to have taken part in the workshop he convened in April 2013 on the “invention of the economy” at Yale.

There are several other professors at Harvard University who provided guidance and feedback over the years. Peter Gordon helped me to navigate Harvard during my first years there, and I owe him countless thanks for his kindness and support with so many aspects of the graduate program. Emma Rothschild encouraged me to explore the history of economic ideas, and I am grateful to her for providing me a home at the Center for History and Economics. David Blackbourn profoundly shaped my understanding of modern Europe during the intense reading

groups of my first year. Though I moved away from a dissertation on German history, David's influence continues to inform my understanding of the historical profession in many ways.

Patrice Higonnet provided me with necessary tools for the study of European modernity, and I am grateful for his friendship throughout my time at Harvard. I owe Mary Lewis many thanks for encouragement and feedback on this project, and I look forward to carrying on our conversations about the history of debt and modern politics. Maya Jasanoff was supportive throughout my time at Harvard, and gave me particularly helpful comments on the history of shipping for an early chapter draft.

Several institutions at Harvard supported this project. The Center for European Studies provided me with an institutional home and funds for research travel. The Center for History and Economics was a site for weekly discussion during the first years of my PhD, and the Weatherhead Center provided a grant for travel after my first year. The Graduate School of Arts and Science supported research travel during my second summer. Other institutions that provided support were the Hoover Institution Archives Workshop and the ACLS/Mellon Dissertation Completion Fellowship. I owe a debt of gratitude to the many librarians and archivists who helped with research, particularly at the archives of the League of Nations, the International Labour Organization, the Hoover Institution, the Churchill College Archives Centre, and the Rockefeller Foundation Archives. Matthew Corcoran and Dan Bertwell provided an incredible amount of help and advice throughout the entire graduate program.

There are many other scholars who have shaped this project and supported my work over the last few years. I am particularly grateful to Glenda Sluga for her tireless encouragement and intellectual engagement, and I look forward to more conversations at the University of Sydney. Quinn Slobodian helped me to refine the interventions of this project on countless occasions. I

thank him for the invitation to present an early draft of a chapter at a 2014 workshop in Berlin and for his friendship. Stefanos Geroulanos gave advice on countless topics and provided practical support on many occasions. My conversations with Duncan Kelly were a frequent pleasure during the first year I spent in the UK. I am very grateful to those who have read specific chapters, including David Edgerton, Simon Jackson, and Jeremy Kessler, and to those who have commented on conference and workshops presentations, including Patricia Clavin – to whom I am also thankful for help thinking through early research – Marco Duranti, Eric Helleiner, Chris Miller, Gianni Toniolo, and Alden Young. Many thanks to Mircea Raianu and Madeleine Dungy for their help locating archival materials. Several other people provided feedback on research plans, earlier writings, and applications, including Duncan Bell, Julian Bourg, Daniel Speich-Chassé, Martin Daunton, David Engerman, Udi Greenberg, Joel Isaac, Alison Johnson, Jon Levy, Tim Müller, Susan Pedersen, Martin Ruehl, David Runciman, Noah Strote, Richard Toye, and Kirsten Weld. Sarah Leonard, Paul Myerscough, John Palattella, Marc-William Palen, Charles Petersen, and Dayna Tortorici helped me to refine some of my ideas for a broader audience.

The intellectual engagement and support of many others during my PhD was invaluable, including Greg Afinogenov, Grey Anderson, James Chappel, Muriam Haleh Davis, Stefan Eich, Philip Fileri, David Frank, Philippa Hetherington, Boris Jardine, Daniel Steinmetz-Jenkins, Kristen Loveland, David Marcus, Thomas Meaney, Dirk Moses, Vanessa Ogle, Noah Rosenblum, Adam Sachs, Tehila Sasson, Sarah Shortall, Mira Siegelberg, Sophie Smith, Joshua Specht, Adam Stern, Heidi Tworek, Stephen Wertheim, and Natasha Wheatley. During my research travels, I counted on the hospitality of Mark Fisher, Jonathan Gray and Liliana Bounegru, Mike Konczal and Kendra Salois, Catarina Macedo, Leah Reich, Sara Roman, and

Nicholas Vinocur. Fulvio and Nicole Honegger were incredibly generous to open their home to me, time and again, in Geneva. Asher Mullokandov provided me with a home away from home on many occasions.

I owe an extra expression of gratitude to Timothy Shenk, whose friendship has profoundly shaped my intellectual development over the last nine years. I cherish the time we have spent together, from Thirkill Court to the East Village, and I look forward to many more conversations. During the time that Tim and I were at Cambridge, we were also lucky to form lasting intellectual bonds with Daniel Luban and Kenta Tsuda.

John Forrester was a crucial pillar of support and source of ideas for me until his death in November 2015. John showed me that the scholarly life can be a good life, and the generosity and excitement with which he greeted me every time I saw him will never be forgotten. I miss his friendship, conversation, and laugh every day. I am so grateful for the warmth and hospitality that Lisa Appignanesi has shown me over the last few years, and for our many intellectual exchanges. She has made London feel like home.

More than anyone else, this project took shape in constant dialogue with my closest intellectual companion, and my most important source of inspiration, Katrina Forrester. Her tireless critical engagement – not to mention her edits of nearly every word I wrote – has shown me what a true partnership in ideas should look like.

Finally, I owe an enormous debt of gratitude to my parents, Janet Whelan and Roger Martin – to whom this work is dedicated – without whose love, support, and belief in me it would not have been possible at all.

ABBREVIATIONS

AILCC	Association internationale pour la lutte contre le chômage
AMTC	Allied Maritime Transport Council
AMTE	Allied Maritime Transport Executive
BEW	Board of Economic Warfare
BIS	Bank for International Settlements
CFR	Council on Foreign Relations
ECC	Economic Consultative Committee
ECE	United Nations Economic Commission for Europe
ECOSOC	Economic and Social Council
EFO	Economic and Financial Organization
EIS	Economic Intelligence Service
FAO	Food and Agriculture Organization
GATT	General Agreement on Tariffs and Trade
IAB	Inter-American Bank
IBRD	International Bank for Reconstruction and Development
ICU	International Clearing Union
IDA	International Development Authority
IfK	Institut für Konjunkturforschung
IfW	Institut für Weltwirtschaft
IMF	International Monetary Fund
ILO	International Labour Organization
LSE	London School of Economics

NEC	National Economic Council
NIEO	New International Economic Order
RFC	Reconstruction Finance Corporation
SEC	Supreme Economic Council
TVA	Tennessee Valley Authority
UNRRA	United Nations Relief and Rehabilitation Administration
WPS	War and Peace Studies

This work is dedicated to my parents.

INTRODUCTION

By the twenty-first century, international stability had come to be seen, first and foremost, as an economic problem. Major political developments were weighted by the effects they had on markets, as globalization seemed to displace the state as the driver of world history. Various international organizations worked to uphold the global capitalist system and to reshape national politics and institutions in ways thought to be conducive to international integration and stability. This arrangement – unthinkable before the twentieth century – was widely criticized: the International Monetary Fund (IMF) and World Bank proved to be among the world’s least popular institutions, derided for their harsh programs of “structural adjustment” in poor and debtor states, their willingness to work with dictators and known human rights abusers, and their apparent complicity in upholding the hegemony of the Global North against the South. But after 2007-8, these same institutions came to be seen by many as the backstops of a world system whose collapse was too terrifying to imagine. Many hoped the financial crisis would give a rise to a new and more robust international regime; others claimed the existing institutions were all that had prevented a total global meltdown.¹

As the financial crisis receded from view, hopes for a transformative moment were disappointed.² The IMF, now working with the European Commission and European Central Bank, enforced a strict regime of austerity in Greece, as the European Union faced its worst ever crisis of legitimacy. Some claimed that a new era had dawned in the perennial conflict between global capitalism and national sovereignty, as international institutions, working in the interest of

¹ Daniel Drezner, *The System Worked: How the World Stopped Another Great Depression* (Oxford: Oxford University Press, 2014).

² Eric Helleiner, *The Status Quo Crisis: Global Financial Governance After the 2008 Financial Meltdown* (Oxford: Oxford University Press, 2014).

detrterritorialized bondholders, were given more veto power than ever before over the decisions of national democracies.³ Fears about the loss of sovereignty at the hands of unaccountable international bureaucrats proved a powerful rallying-cry for the successful movement in Britain to leave the European Union in June 2016. Such was the dual vision of global economic governance in the early twenty-first century: necessary, perhaps, to guarantee global stability, but brutal to national politics and human welfare when these stood in the way.

How did international economic organizations, and the experts and officials who staff them, first come to wield such power on the global stage? Most date the origins of international economic governance to the Bretton Woods Conference of July 1944, where delegates from 44 countries agreed to a new set of rules for the international financial system and to establish the IMF and International Bank for Reconstruction and Development (later renamed the World Bank). It was only after this point, on this view, that economists and officials acted on the assumption that “in the international (as in the national) economy there must be control, policy and knowledge, if crisis is to be averted.”⁴ But it is wrong to see the postwar world as emerging ex nihilo from the ashes of the 1940s. Many of the most important postwar institutions were the products of long-standing efforts that could not be realized in full until the war had exhausted old European conflicts and left the U.S. in a position of unprecedented global power.⁵

This work investigates the political, intellectual, and institutional origins of the earliest major plans to bring the global capitalist system under international bureaucratic control. These

³ Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*, trans. Patrick Camiller (London: Verso, 2014).

⁴ W.M. Scammell, *The International Economy since 1945* (London: Macmillan, 1980), 1.

⁵ For recent examples of “transwar” European history, see Philip Nord, *France's New Deal: From the Thirties to the Postwar Era* (Princeton: Princeton University Press, 2010); James Chappel, “Slaying the Leviathan: Catholicism and the Rebirth of European Conservatism, 1920-1950.” Unpublished PhD Dissertation, Columbia University, 2012; Udi Greenberg, *The Weimar Century: German Émigrés and the Making of the Cold War* (Princeton: Princeton University Press, 2014).

plans formed an important, and long overlooked, part of European-led efforts to stabilize and reshape international relations from the middle of the First World War to the conclusion of the Second. By laying the ideological and political foundations for the international economic organizations that exist to this day, they permanently transformed the imagination of world order and the practices of its management. To show how this process occurred, this history focuses on a tightly-knit transnational group of economic experts, international civil servants, and state officials from across Western Europe and the U.S., many of whom worked at or in collaboration with the major international organizations established at the end of the First World War: the League of Nations and International Labour Organization (ILO). This group of men, most from a generation born in the 1880s, included members of the French and British war ministries and wartime inter-Allied organizations, several of whom joined the League and ILO; economists and statisticians from across Western Europe (France, Germany, Austria, Italy, and Britain) who were hired as experts at these organizations; government officials, largely from France, Britain, and the U.S., who worked in the economic ministries of their home states as well as at League committees; and the academic economists who shaped the terms of their debates. This group of experts was similar to the transnational cadre of international lawyers that had emerged in the late nineteenth century.⁶ But because economics was only just undergoing an equivalent process of professionalization, it included as many bankers, government officials, and international bureaucrats as it did academic economists. Their story has not yet been fully told in the history of ideas of international order, even though they did more to reshape the intellectual architecture of global power, over the long term, than many of their contemporaries.⁷ Neither has literature on

⁶ Martti Koskenniemi, *The Gentle Civilizer of Nations: The Rise and Fall of International Law 1870–1960* (Cambridge: Cambridge University Press, 2004).

⁷ Duncan Bell, “Writing the World: Disciplinary History and Beyond,” *International Affairs*, 85.1 (2009): 3-22; Nicolas Guilhot, *The Invention of International Relations Theory: Realism, the Rockefeller Foundation and the 1954*

the emergence of economists into positions of authority in the modern state paid as much attention to their contemporaneous rise to power in international institutions.⁸

These experts and officials were concerned, first and foremost, with expanding the machinery of international economic administration. Their attempts to do so began in 1916, when the Allied powers established international mechanisms of unprecedented power to take control over the global exchange of commodities. After the war, the tasks of reconstruction, particularly in the successor states to the Austro-Hungarian, Russian, and Ottoman Empires, raised the question of whether international officials could take control over the policies of a sovereign state during times of peace. The outbreak of two global deflationary crises in the 1920s – one at the beginning of the decade and one at its end – gave rise to a new challenge: studying how the world economy operated as an aggregate, interdependent system, made up of national systems that related to each other in complex and mysterious ways. Could this system be controlled, and could the techniques developed to manage the war effort and stabilize postwar states like Austria be used to do so? How would the relationship between national and international administrative structures need be reconfigured to deal with a global crisis of

Conference on Theory (New York: Columbia University Press, 2011); David Armitage, *Foundations of Modern International Thought* (Cambridge: Cambridge University Press, 2012).

⁸ See, for example, Donald Winch, *Economics and Policy: A Historical Study* (London: Hodder and Stoughton, 1969); Susan Howson and Donald Winch, *The Economic Advisory Council, 1930-1939: A Study in Economic Advice During Depression and Recovery* (Cambridge: Cambridge University Press, 1977); G.C. Peden, *Keynes, the Treasury, and British Economic Policy* (Houndsmills: Basingstoke, 1988); Mary O. Furner and Barry Supple, *The State and Economic Knowledge: The American and British Experience* (Cambridge: Cambridge University Press, 1990); Robert M. Collins, *More: The Politics of Economic Growth in Postwar America* (Oxford: Oxford University Press, 2000); Adam Tooze, *Statistics and the German State, 1900-1945: The Making of Modern Economic Knowledge* (Cambridge: Cambridge University Press, 2001); Michael A. Bernstein, *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America* (Princeton: Princeton University Press, 2004); Marion Fourcade, *Economists and Societies: Discipline and Profession in the United States, Britain, and France, 1890s to 1990s* (Princeton: Princeton University Press, 2009); Scott O'Bryan, *The Growth Idea: Purpose and Prosperity in Postwar Japan* (Honolulu: University of Hawai'i Press, 2009). For a path-breaking recent account of the role of economists as powerbrokers in international organizations, see Matthias Schmelzer, *The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm* (Cambridge: Cambridge University Press, 2016).

capitalism? In the 1930s, as the Depression forced governments to take on more powers over their national economies, new methods were designed to bring analogous control to the world economy. The problem of the business cycle and its global transmission forced a major rethinking of the aims and capacities of international organization, and injected novel political and economic ideas into widespread use: “world demand,” “world supply,” “world income,” “world prosperity,” and “the world economy” itself.

Unlike many other international initiatives of the interwar period, the gradual expansion of international economic administration was not radically set back by the outbreak of depression and war. The policy work and data collection that began in the middle of the First World War, and that was inherited by the League of Nations and ILO, continued without major interruption through the Second World War and then at postwar institutions like the United Nations, IMF, and World Bank. This work began in an experimental and ad hoc way in response to wartime shortages and postwar financial instability. But by the 1930s, it focused on stabilizing global capitalism through the management of the business cycle and its international transmission. This work did not see results as quickly as the simultaneous expansion of economic control on the national level: it was foiled by the ideological and political conflicts of the interwar period, the difficulty of convincing states to relinquish economic sovereignty, and by the logistical challenges of collecting enough data to understand how this world system behaved. But even as the world economy broke down in the 1930s, planning for its future control grew more focused, sophisticated, and influential. By the 1940s, these incremental efforts had fundamentally transformed practices of governance and assumptions about capitalism and its management. It was only during the Cold War that the most ambitious plans to create a world economic

administration were finally defeated – though these were periodically revived by Third World states, most notably in calls for a New International Economic Order (NIEO) in the 1970s.

Investigating this development sheds new light on the international history of the twentieth century – and, in particular, on the conflict between global capitalism and national politics that is the focus of many accounts of interwar Europe. After the First World War, according to the standard narrative, European elites demanded a restoration of the liberal arrangements that had supposedly existed before 1914, as states abandoned wartime controls, slashed budgets, and prepared to return to the gold standard. At the same time, powerful forces pushed in the opposite direction: the war had strengthened labor and encouraged citizens returning from the front to demand new social protections and economic security. Increased enfranchisement and the rise of social democratic parties put pressure on the old guardians of capitalist internationalism to subordinate the needs of the international monetary system to domestic stability. The outbreak of the Depression temporarily resolved this antinomy between the national and the international in favor of the former, as one state after another was forced to leave the gold standard and adopt trade and exchange controls. Parties from across the political spectrum preferred the stability of economic nationalism or imperial protection to the dangers of a liberal world economic system across which unemployment had spread like a virus. It was only at the end the Second World War that a new and more stable equilibrium between the poles of the national and international was found.⁹ This was the achievement of the “embedded liberal”

⁹ One of the earliest influential versions of this narrative was offered by Karl Polanyi in *The Great Transformation* (Boston: Beacon Press, 1944). See also Charles Maier, *Recasting Bourgeois Europe: Stabilization in France, Germany, and Italy in the Decade After World War I* (Princeton: Princeton University Press, 1975) and *In Search of Stability: Explorations in Historical Political Economy* (Cambridge: Cambridge University Press, 1987); Robert W.D. Boyce, *British Capitalism at the Crossroads 1919-1932: A Study in Politics, Economics, and International Relations* (Cambridge: Cambridge University Press, 1987) and *The Great Interwar Crisis and the Collapse of Globalization* (London: Palgrave Macmillan, 2009); Gilbert Ziebura, *World Economy and World Politics, 1924-1931: From Reconstruction to Collapse*, trans. Bruce Little (Oxford: Berg, 1990); Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (Berkeley: University of California Press, 1992);

compromise reached at Bretton Woods: it gave the national Keynesian state room to pursue full employment and welfare policies while allowing for the reemergence of a multilateral system of trade and payments.¹⁰

This story is often told alongside one about the twentieth-century transfer of global political and economic hegemony from the British Empire to the United States, as responsibility for managing the world's capitalist system gradually shifted from private central banks and financial institutions to states and international organizations. By the late nineteenth century, on this view, the gold standard bound the "civilized nations" of the world into a tight union, as innovations in transportation and communications technology allowed money, goods, and people to flow more freely across great distances than ever before. This world system, which had evolved without conscious direction, required little official management besides a small number of international laws and the work of international public unions like the Universal Postal Union. A cosmopolitan club of central bankers, largely independent from their national governments, kept exchange rates stable and ensured the discipline of the gold standard was obeyed. The "world was organized as a kind of invisible economic empire," with few rules to give it "visible" structure.¹¹ Upholding this system was an actual empire, of course, whose global dominion ensured its stability and whose metropolitan financial institutions channeled capital into

Philip Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932* (Cambridge: Cambridge University Press, 1992); Beth Simmons, *Who Adjusts? Domestic Sources of Economic Foreign Policy During the Interwar Years* (Princeton: Princeton University Press, 1994); Charles. H. Feinstein, Peter Temin, Gianni Toniolo, *The European Economy Between the Wars* (Oxford: Oxford University Press, 1997); Mark Mazower, *Dark Continent: Europe's Twentieth Century* (London: Allen Lane, 1998), 106-140; Jeffrey Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: Norton, 2006), 253-277.

¹⁰ John Gerard Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," *International Organization* 36.2 (1982): 379-415.

¹¹ Moritz Julius Bonn, "International Economic Interdependence," *Annals of the American Academy of Political and Social Science* 175 (1934): 156-165, at 156.

productive investment around the world. But this was a relatively unmanaged system, underpinned by an “unwritten constitution” and informal mechanisms of cooperation.¹²

This supposedly self-equilibrating system broke down during the First World War, as states took unprecedented measures of control over their national economies. After the war, Europeans looked to return to prewar conditions, as central banks and American financial institutions tried to stabilize the international economy and recreate the gold standard system.¹³ But the twinned problems of inter-Allied debts and reparations spoiled their efforts. A modicum of calm was reached by the mid-1920s with the agreement of the Dawes Plan and the Locarno Pact, only to be shattered by decade’s end.¹⁴ After the outbreak of the Depression, private financial officials struggled to find durable means of cooperation, before government offices stepped in to negotiate the Tripartite Monetary Agreement of 1936 and Bretton Woods Agreement of 1944. Until this point, the American state had failed to take responsibility for Europe’s stabilization, either by refusing to cancel war debts or lend on the scale needed after

¹² A.G.B. Fisher, “The Future of International Economic Institutions: Lessons of the Inter-War Period,” *The Year Book of World Affairs* 1 (1947) 178-201, at 183-184; C.H. Alexandrowicz, “The Study of International Economics,” *The Year Book of World Affairs* 4 (1950): 218-233.

¹³ Stephen Clarke, *Central Bank Cooperation, 1924-1931* (New York: Federal Reserve Bank, 1967); Richard Meyer, *Bankers’ Diplomacy: Monetary Stabilization in the Twenties* (New York: Columbia University Press, 1970); R.S. Sayers, *The Bank of England, 1891-1944* (Cambridge: Cambridge University Press, 1976); Kenneth Mouré, *The Gold Standard Illusion: France, the Bank of France and the International Gold Standard, 1914-1939* (Oxford: Oxford University Press, 2002) and “The Limits to Central Bank Co-operation, 1916-1936,” *Contemporary European History* 1.3 (1992): 259-279; Liaquat Ahamed, *Lords of Finance: 1929, the Great Depression, and the Bankers Who Broke the World* (London: Windmill Books, 2009).

¹⁴ Sally Marks, “Reparations Reconsidered: A Reminder,” *Central European History* 2 (1969): 356-6; David Felix, “Reparations Reconsidered with a Vengeance,” *Central European History* 4 (1971): 171-179 and *Walther Rathenau and the Weimar Republic: The Politics of Reparations* (Baltimore: Johns Hopkins University Press, 1971); Walter A. McDougall, *France’s Rhineland Policy, 1914-1924: The Last Bid for a Balance of Power in Europe* (Princeton: Princeton University Press, 1978); Charles S. Maier, “The Truth about the Treaties?” *The Journal of Modern History* 51.1 (1979): 56-67; Kathleen Burk, “Economic Diplomacy between the Wars,” *The Historical Journal*, 24. 4 (1981): 1003-1015; Jon Jacobson, “Is there a New International History of the 1920s?” *American Historical Review* 88.3 (1983): 617-45; William C. McNeil, *American Money and the Weimar Republic: Economics and Politics on the Eve of the Great Depression* (New York: Columbia University Press, 1986); Bruce Kent, *The Spoils of War: The Politics, Economics, and Diplomacy of Reparations, 1918-1932* (Oxford: Oxford University Press, 1989); Patrick Cohrs, *The Unfinished Peace after World War I. America, Britain and the Stabilisation of Europe, 1919–1932* (Cambridge: Cambridge University Press, 2006).

1929. It was only at war's end that the U.S. took up the position of global leadership it could have adopted long before.¹⁵ It had taken the dramatic expansion of the administrative capacities of the American state during the New Deal and Second World War to make possible this supposedly new task of “managing and superintending capitalism on a worldwide plane.”¹⁶

By depicting the interwar period as an unstable interregnum between two relatively stable periods of world economic integration, each overseen by an Anglo-Saxon hegemon, these narratives give short shrift to the full range of international ideas, movements, and institution-building in Europe during these years. By positing a neat rupture between nineteenth- and later twentieth-century periods of globalization, they also overlook how the institutional structures underpinning the international capitalist system evolved in response to the First World War, the internationalization of empire, and the economic crises of 1920-1 and the 1930s.¹⁷ Countless new forms of administration were designed to fill the vacuum left by the breakdown of the “invisible” private community that had supposedly held together the world economy before 1914. Not all of these were realized in their original shape, but they provided the sources of expertise, techniques of governance, ideas, institutions, precedents, and even personnel needed for the creation of

¹⁵ William Appleman Williams, *The Tragedy of American Diplomacy* (New York: Dell, 1962); Michael Hudson, *Super Imperialism: The Economic Strategy of American Empire* (New York: Holt, Rinehart and Winston, 1972); Charles P. Kindleberger, *The World in Depression, 1929-1939* (Berkeley: University of California Press, 1973); Michael Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918-1928* (Columbia: University of Missouri Press, 1977); Fred L. Block, *The Origins of International Economic Disorder: A Study of United States International Monetary Policy from World War II to the Present* (Berkeley: University of California Press, 1977); Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933* (Chapel Hill: University of North Carolina Press, 1979); Dan P. Silverman, *Reconstructing Europe after the Great War* (Cambridge, MA: Harvard University Press, 1982); Jeff Frieden, “Sectoral Conflict and Foreign Economic Policy, 1914-1940,” *International Organization* 42.1 (1988): 59-90; James MacDonald, *When Globalization Fails: The Rise and Fall of Pax Americana* (New York: Farrar, Straus and Giroux, 2015). For a fundamental rethinking of the relation between Europe and the United States between the wars, see Adam Tooze, *The Deluge: The Great War and the Remaking of Global Order, 1916-1931* (London: Penguin, 2015).

¹⁶ Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire* (London: Verso, 2013), 1.

¹⁷ For a similar interpretation, see Adam Tooze and Ted Fertik, “The World Economy and the Great War,” *Geschichte und Gesellschaft* 20 (2014): 214-238.

durable international structures after 1945. Judging these years simply as a period of failed response to crisis does not employ the appropriate timescale.¹⁸

Some of these efforts have recently been rediscovered – particularly the long-neglected economic work of the League of Nations.¹⁹ The once consensus view that the League was simply “too weak” to deal with the interwar world economy, and thus irrelevant to narratives about globalization and the Depression, has been decisively overturned.²⁰ The achievements of the League, particularly in the technical sphere, are undergoing a major rehabilitation.²¹ New studies detail how the organization became a meeting place in the early 1920s for experts to share ideas about multilateral economic organization,²² and the business cycle research of League economists is now seen as crucial to the development of macroeconomics.²³ Some of this work

¹⁸ For a similar argument about the simultaneous process of European integration, see Walter McDougall, “Political Economy versus National Sovereignty: French Structures for German Economic Integration after Versailles,” *The Journal of Modern History* 51.1 (1979): 4-23 and Review of Hermann J. Rupieper, “The Cuno Government and Reparations 1922-1923: Politics and Economics,” *Journal of Modern History* 53.2 (1981): 362-64.

¹⁹ The first wave of this new literature appeared in the 1990s. Most notably, see Eric Bussière, *L'Organisation économique de la SDN et la naissance du régionalisme économique en Europe*, *Relations Internationales* 75 (1993): 301-313; Louis Pauly “The League of Nations and the Foreshadowing of the International Monetary Fund,” *Essays in International Finance*, 201 (Princeton: Princeton University Press, 1996), 1-52; *Who Elected the Bankers?: Surveillance and Control in the World Economy* (Princeton: Princeton University Press, 1997), 44-78; “International Financial Institutions and National Economic Governance: Aspects of the New Adjustment Agenda in Historical Perspective,” in Marc Flandreau, Carl-Ludwig Holtfrerich, and Harold James, eds., *International Financial History in the Twentieth Century* (Cambridge: Cambridge University Press, 2003), 239-263. The first comprehensive study of the League’s economic work was done by a former employee of the organization at the end of the Second World War. See Martin Hill, *The Economic and Financial Organization of the League of Nations* (Washington, D.C.: The Carnegie Endowment for International Peace, 1946).

²⁰ For an expression of this older view, see Martin Daunton, “Presidential Address: Britain and Globalisation since 1850: Creating a Global Order, 1850-1914,” *Transactions of the Royal Historical Society* 16 (2006): 1-38, at 4-5.

²¹ Susan Pedersen, “Back to the League of Nations,” *The American Historical Review* 112.4 (2007): 1091-1117.

²² Yann Decorzant, *La Société des Nations et la naissance d'une conception de la régulation économique internationale* (Brussels: P. Lang, 2011) and “Internationalism in the Economic and Financial Organisation of the League of Nations,” in Daniel Laqua, ed. *Internationalism Reconfigured: Transnational Ideas and Movements Between the World Wars* (London: I.B. Taurus, 2011), 115-134; “Global economic governance and the private sector: the League of Nations’ experiment in the 1920s,” in Christof Dejung and Niels P. Petersson, eds., *The Foundations of Worldwide Economic Integration: Power, Institutions, and Global Markets, 1850-1930* (Cambridge: Cambridge University Press, 2013), 249-270.

²³ Neil de Marchi with Peter Dohmann, “League of Nations Economists and the Ideal of Peaceful Change in the Decade of the ‘Thirties,” in C.D.W. Goodwin, ed., *Economics and National Security: A history of their Interaction* (Durham: Duke University Press, 1991); Mary Morgan, *The History of Econometric Ideas* (Cambridge: Cambridge University Press, 1992), 101-132; Mauro Boianovsky and Hans-Michael Trautwein, “Haberler, the League of Nations, and the Quest for Consensus in Business Cycle Theory in the 1930s,” *History of Political Economy* 38.1 (2006): 45-89.

exaggerates the slavish devotion of League officials to laissez-faire and their capture by financial elites looking to institute a postwar settlement favorable to international capital.²⁴ The League was not simply another institution for promoting the orthodoxies of the British Treasury and the Bank of England. Nor did League officials share a unified doctrine and agenda, as some have claimed – and certainly not with their ILO counterparts.²⁵ The development of the economic functions of the League was marked by fierce dispute, as Patricia Clavin has demonstrated in her many works returning the League to the center of interwar economic diplomacy. The organization’s response to the Depression, she argues, made possible a new understanding of international economic cooperation that went beyond the traditional financial diplomacy of private central bankers. This laid the foundations for the Bretton Woods Agreement and for post-1945 organizations like the United Nations Economic and Social Council and the European Economic Community.²⁶

But a larger puzzle remains unanswered: How did it become common sense by 1945 to think that the experts and bureaucrats of international organizations should be given responsibility for advising states on their economic policies – or even taking control over them?

²⁴ Michel Fior, *Institution globale et marchés financiers: La Société des Nations face à la reconstruction de l'Europe, 1918-1931* (Bern: Peter Lang, 2008).

²⁵ A.M. Endres and Grant Fleming, *International Organizations and the Analysis of Economic Policy, 1919-1950* (Cambridge: Cambridge University Press, 2002).

²⁶ Patricia Clavin, “‘Money Talks:’ Competition and Cooperation with the League of Nations, 1929-40,” in Marc Flandreau, ed., *Money Doctors: The Experience of International Financial Advising 1850-2000* (London: Routledge, 2003), 219-248; *Securing the World Economy: The Reinvention of the League of Nations, 1920-1946* (Oxford: Oxford University Press, 2013); “What’s in a Living Standard?: Bringing Society and Economy Together in the ILO and the League of Nations Depression Delegation, 1938-1945,” in Sadrine Kott and Joëlle Droux, eds., *Globalizing Social Rights: The International Labour Organization and Beyond* (London: Palgrave Macmillan, 2013), 233-248. Patricia Clavin and Jens-Wilhelm Wessel, “Another Golden Idol? The League of Nations’ Gold Delegation and the Great Depression, 1929-1932,” *The International History Review* 26.4 (2004): 765-795 and “Transnationalism and the League of Nations: Understanding the Work of Its Economic and Financial Organisation,” *Contemporary European History* 14.4 (2005): 465-49. Patricia Clavin and Kiran Klaus Patel, “The Role of International Organizations in Europeanization: The Case of the League of Nations and the European Economic Community,” in Martin Conway and Kiran Klaus Patel, eds. *Europeanization in the Twentieth Century: Historical Approaches* (London: Palgrave Macmillan, 2010), 110-131.

This was one of the most dramatic transformations in modern conceptions of national sovereignty and the management of capitalism. But it has received little systematic investigation from international historians and historians of capitalism.²⁷ This raises a related question: How and when did international stability come to be seen as depending, first and foremost, on the management of a fragile but inescapable world system? In 1933, on the eve of the World Economic Conference in London, one economist admitted that no one knew much “about organizing and operating the world as an economic whole.” How did people come to believe that they did, in fact, have this knowledge – and what were the political consequences of its acquisition?²⁸ These questions cannot be answered by focusing exclusively on the history of the League of Nations, which was only one of several overlapping public and private sites where new ideas and practices of economic management were developed. Nor can this be done by focusing on the topics that have dominated the history of the interwar period: reparations and debt, central bank cooperation, the gold standard, and commercial policy. The problems of reparations and debts were strictly off limits to the international officials who sought to develop new practices of economic management; this task was of little interest to central bankers. The restoration of the gold standard and the liberalization of trade involved the bureaucrats of the international organizations, but in limited ways. Focus on these topics draws attention away from a broader concern of this era: the attempt to design an international administration to manage the interdependence of states.

²⁷ This literature has recently taken a global turn. See Sven Beckert, *Empire of Cotton: A Global History* (New York: Alfred A. Knopf, 2014).

²⁸ Ernest Minor Patterson, “The United States and the World Economy,” in *Economic Essays in Honour of Gustav Cassel: October 20th, 1933* (London: Frank Cass & Company, 1933), 479-490, at 490.

The role of experts in consolidating the administrative and economic powers of the modern state has been well studied.²⁹ But the tools used to do so are seldom brought to the history of international organization. The rise of transnational expert communities, and the development of technocratic forms of internationalism, has recently become a popular topic in European history,³⁰ as part of a broader move away from the focus on war to consideration of the institutions of peace, internationalism, and international law.³¹ But these works often do not consider the questions of power that have motivated studies of the state – a problem that is broadly shared by literature on global governance.³² The history of European empire has exhaustively documented the role of experts in shaping and legitimating the “technopolitics” of

²⁹ Of a huge literature, see, for example, David Collinridge and Colin Reeve, *Science Speaks to Power: The Role of Experts in Policy Making* (New York: St. Martin's Press, 1986); Roy M. Macleod, ed. *Government and Expertise: Specialists, Administrators and Professionals, 1860-1919* (Cambridge: Cambridge University Press, 1988); Patrick Joyce, *The Rule of Freedom: Liberalism and the Modern City* (London: Verso, 2003); David Edgerton, *Warfare State: Britain, 1920-1970* (Cambridge: Cambridge University Press, 2006) and *Britain's War Machine: Weapons, Resources, and Experts in the Second World War* (Oxford: Oxford University Press, 2011). Literature is also growing on the American state. See, for example, James Sparrow, *Warfare State: World War II Americans and the Age of Big Government* (Oxford: Oxford University Press, 2011); Ajay K. Mehrotra, *Making the Modern American Fiscal State: Law, Politics, and the Rise of Progressive Taxation, 1877-1929* (Cambridge: Cambridge University Press, 2013); Daniel R. Ernst, *Tocqueville's Nightmare: The Administrative State Emerges in America, 1900-1940* (Oxford: Oxford University Press, 2014); Anne Kornhauser, *Debating the American State: Liberal Anxieties and the New Leviathan, 1930-1970* (Philadelphia: University of Pennsylvania Press, 2015).

³⁰ These works often have the implicit or explicit aim of understanding the pre-history of the European Union. See, for example, J.W. Schot and V.C. Lagendijk, “Technocratic Internationalism in the Interwar Years: Building Europe on Motorways and Electricity Networks,” *Journal of Modern European History* 6.2 (2008): 196-217; Martin Kohlrausch and Helmuth Trischler, *Building Europe on Experts; Innovators, Organizers, Networkers* (London: Palgrave Macmillan, 2014); Wolfram Kaiser and Johan Schot, *Writing the Rules for Europe: Experts, Cartels, and International Organizations* (London: Palgrave Macmillan, 2014).

³¹ Casper Sylvest, *British Liberal Internationalism, 1880–1930: Making Progress?* (Manchester: Manchester University Press, 2009); Helen McCarthy, *The British People and the League of Nations: Democracy, Citizenship and Internationalism, c.1918–45* (Manchester: Manchester University Press, 2011); Daniel Laqua, ed. *Internationalism Reconfigured and The Age of Internationalism and Belgium, 1880–1930: Peace, Progress and Prestige* (Manchester: Manchester University Press, 2013); Daniel Gorman, *The Emergence of International Society in the 1920s* (Cambridge: Cambridge University Press, 2012); Glenda Sluga, *Internationalism in the Age of Nationalism* (Philadelphia: University of Pennsylvania Press, 2013); Bruno Cabanes, *The Great War and the Origins of Humanitarianism, 1918–1924* (Cambridge: Cambridge University Press, 2014); Mark Lewis, *The Birth of the New Justice: The Internationalization of Crime and Punishment, 1919–1950* (Oxford: Oxford University Press, 2014); Isabel V. Hull, *A Scrap of Paper: Breaking and Making International Law during the Great War* (Ithaca: Cornell University Press, 2014); Amalia Ribi Forclaz, *Humanitarian Imperialism. The Politics of Anti-Slavery Activism, 1880-1940* (Oxford: Oxford University Press, 2015).

³² On this point, see Michael Barnett and Raymond Duvall. “Power in International Politics,” *International Organization* 59.1 (2005): 39-75.

colonial domination,³³ and what might be called a “realist” international historiography has developed in tandem with the turn to focus on internationalism.³⁴ But the question of power is eerily absent from many studies of international experts. One way of returning it to the center of focus is to look at how the assumptions that guide international policy-making emerge out of discrete ideological conflicts, bureaucratic turf wars, and struggles over economic and political interests. This approach, developed most thoroughly in new critical work on global governance,³⁵ complements that of histories of the “invention of the economy:” both examine how expert discourse gives rise to new objects of management – such as “the economy” or “the global market” – which subsequently come to be taken for granted as natural entities.³⁶

³³ See, for example, Monica van Beusekom, *Negotiating Development: African Farmers and Colonial Experts at the Office du Niger, 1920–1960* (Oxford: Oxford University Press, 2002); Joseph Morgan Hodge, *Triumph of the Expert: Agrarian Doctrines of development and the legacies of British colonialism* (Athens: Ohio University Press, 2007); Suzanne Moon, *Technology and Ethical Idealism: A History of Development in the Netherlands East Indies* (Leiden: CNWS Publications, 2007); George Steinmetz, *The Devil's Handwriting: Precoloniality and the German Colonial State in Qingdao, Samoa, and Southwest Africa* (Chicago: University of Chicago Press, 2007) and *Sociology and Empire: The Imperial Entanglements of a Discipline* (Durham: Duke University Press, 2013); Helen Tilley, *Africa as a Living Laboratory: Empire, Development, and the Problem of Scientific Knowledge, 1870-1950* (Chicago: University of Chicago Press, 2011); Simon Jackson, “‘What Is Syria Worth?’ The Huvelin Mission, Economic Expertise and the French Project in the Eastern Mediterranean, 1918–1922,” *monde(s)* 4 (September 2013): 83–103.

³⁴ Mark Mazower, *No Enchanted Palace: The End of Empire and the Ideological Origins of the United Nations* (Princeton: Princeton University Press, 2009) and *Governing the World: The History of an Idea* (London: Penguin, 2012); Samuel Moyn, *The Last Utopia: Human Rights in History* (Cambridge, MA: Harvard University Press, 2010); Susan Pedersen, *The Guardians: The League of Nations and the Crisis of Empire* (Oxford: Oxford University Press, 2015).

³⁵ Michael Barnett and Martha Finnemore, *Rules for the World: International Organizations in Global Politics* (Ithaca: Cornell University Press, 2004); David Kennedy, “The Mystery of Global Governance,” *Ohio Northern University Law Review* 34 (2008): 827-860 and *A World of Struggle: How Power, Law, and Expertise Shape Global Political Economy* (Princeton: Princeton University Press, 2016). For a critique of David Kennedy, see Samuel Moyn, “Knowledge and Politics in International Law,” *Harvard Law Review* 129.8 (2016): 2164-89.

³⁶ Susan Buck-Morss, “Envisioning Capital: Political Economy on Display,” *Critical Inquiry* 21.2 (1995): 434-467; Tooze, *Statistics and the German State*; Timothy Mitchell, “Fixing the Economy,” *Cultural Studies* 12.1 (1998): 82-101; *Rule of Experts: Egypt, Techno-Politics, Modernity* (Berkeley: University of California Press, 2002); “Economists and Economy in the Twentieth Century,” in George Steinmetz, ed. *The Politics of Method in the Human Sciences: Positivism and its Epistemological Others* (Durham, NC: Duke University Press, 2005), 126-142; “Economentality: How the Future Entered Government,” *Critical Inquiry* 40 (2014): 479-507; Daniel Breslau, “Economists Invents the Economy: Mathematics, Statistics, and Models in the Work of Irving Fisher and Wesley Mitchell,” *Theory and Society* 32.3 (2003): 379-411; Margaret Schabas, “Constructing ‘The Economy,’” *Philosophy of the Social Sciences* 39.3 (2009): 3-19; Timothy Shenk, “Inventing the American Economy,” Unpublished PhD Dissertation, Columbia University, 2016.

The “world economy,” like the “national economy,” came to be seen in this way as a specific object of management. Understanding how this came to pass must take account of the material constraints that framed the rise of this new kind of expertise: the interests of powerful elites; the strategic demands of great power competition; the threat of labor unrest and Bolshevik contagion; the experience of wartime food and raw material shortages; and the mechanical challenges of data collection, storage, and standardization. The extraordinarily complex problems of technical management posed by the crises of the early twentieth century influenced how this intellectual innovation took shape.

It was the new realities of world war and global economic crisis in particular that led to the consolidation of the idea of economic interdependence as a working assumption of policy-makers. And it was this innovation that informed the interwar efforts examined here. This systematic understanding of worldwide exchange was distinct to the ways of thinking about international commerce and finance that had been dominant since the early nineteenth century. The principal Western tradition of international economics was developed in the aftermath of the Napoleonic Wars by the British classical economists, who, building off the ideas of Adam Smith, popularized the theory of comparative advantage and further developed David Hume’s price specie-flow theory of the balancing of payments. John Stuart Mill put these doctrines into systematic form in his influential 1848 *Principles of Political Economy*, which shaped both popular and theoretical arguments in favor of free trade in the second half of the century.³⁷ Belief in the pacifying effects of commerce became a dominant political ideal of these years, though the

³⁷ For overviews, see Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade* (Princeton: Princeton University Press, 1996); Anthony Howe, “Free Trade and Global Order: The Rise and Fall of a Victorian Vision,” in Duncan Bell, ed., *Victorian Visions of Global Order: Empire and International Relations in Nineteenth-Century Political Thought* (Cambridge: Cambridge University Press, 2007), 26-46; Frank Trentmann, *Free Trade Nation: Commerce, Consumption, and Civil Society in Modern Britain* (Oxford: Oxford University Press, 2008), 33-185; Marc-William Palen, *The “Conspiracy” of Free Trade: The Anglo-American Struggle Over Empire and Economic Globalisation, 1846-1946* (Cambridge: Cambridge University Press, 2016).

golden era of free trade born with the repeal of the Corn Laws in 1846, which reached its high-water mark with the Cobden-Chevalier Treaty of 1860, was short-lived. The turn to protection began in the 1860s in the U.S. and then followed across Europe, with tariffs rising to block out the deluge of cheap American and Russian grain and in response to the Depression of 1873-1896. This period of renewed mercantilist competition, which continued until the outbreak of the First World War, saw various intellectual attacks on the free trade doctrine, many of which took their point of departure from new ideas about the primacy of the national economy. These were developed most famously by Friedrich List, who criticized free trade dogma as a tool of legitimation for Britain's worldwide dominion.³⁸

The way we think of the world economy today – as a holistic system, one that can grow or shrink, collapse in crisis and be reconstructed – was not yet a common idea. It was not until the middle decades of the nineteenth century, and only then in German-speaking Europe, that people began to describe the “world economy” (*Weltwirtschaft*) as a kind of structural totality, an object more complex than the loosely-bound international commercial order of the classical economists, Smith, and the Physiocrats. The term “world economy” did not enter widespread use in English and French until the second half of the 1920s.³⁹ When it did, it was typically used to describe an entity that was still emergent, a normative ideal, or a theoretical construct that was often dismissed as an illusion. The original German-language discourse on the “world economy” had its roots in early nineteenth-century debates about the benefits and drawbacks of

³⁸ Paul Bairoch and Richard Kozul-Wright, “Globalization Myths: Some Historical Reflections on Integration, Industrialization and Growth in the World Economy,” in Richard Kozul-Wright and Robert Rowthorn, *Transnational Corporations and the Global Economy* (New York: St. Martin's Press, 1998), 37-68; Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge, MA: The MIT Press, 1999); Harold James, *The End of Globalization: Lessons from the Great Depression* (Cambridge, MA: Harvard University Press, 2001).

³⁹ See Quinn Slobodian's forthcoming book on neoliberals and the idea of the world economy. An initial publication is “How to See the World Economy: Statistics, Maps, and Schumpeter's Camera in the First Age of Globalization.” *Journal of Global History* 10.2 (2015): 307-332.

Enlightenment conceptions of international commerce.⁴⁰ After the 1850s, it was linked with a popular theory about the evolution of human economic life from small and unsophisticated economic units, such as tribal economic exchange and small-scale household-production, to larger and more complex ones: the town-economy, city-economy, and finally the national-economy (*Volkswirtschaft*). The logic of this evolutionary and biologicistic theory dictated that the next stage of economic organization after the national economy was the “world economy.” But many disputed the possibility of this higher stage of evolution, insisting that an economic unit was viable only if it exhibited thorough political and legal organization and its members shared a common cultural and linguistic background and racial features. Since there was no world state or real world community, so too was the world economy only a futuristic fantasy, as realistic as the *civitas maxima* – the world federal constitution – dreamed of by cosmopolitan international lawyers. These assumptions only began to lose their grip on the imagination of economists in Germany and Austria-Hungary, and those outside of Central Europe who followed their debates, in the years just before the outbreak of the First World War. Some began to argue that the national economy should not be thought of as a homogenous cultural or racial entity, but rather as the totality of economic relations between individual agents acting within a territorially-organized sovereign state that made and enforced laws governing their behavior. These private agents naturally formed bonds with their counterparts in other states, and out of the sum of these bonds, a dense network of economic relations was formed. This worldwide network was given rules by commercial treaties and international laws governing private property, shipping, and post. The world economy did not need a world state or a coherent world culture to function,

⁴⁰ Istvan Hont, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge, MA: Harvard University Press, 2010); Isaac Nakhimovsky, *The Closed Commercial State: Perpetual Peace and Commercial Society from Rousseau to Fichte* (Princeton: Princeton University Press, 2011).

since there already existed a society of exchange constituted by private business relations around the world.⁴¹

During the first decades of the twentieth century, this understanding of the “world economy” was largely limited to German-language economic discourse. But new visions of the systematic nature of worldwide exchange had emerged in other linguistic traditions. The most influential was the idea of “interdependence,” a term first used in the early nineteenth century to describe the behavior of biological and astrological systems. The organs within the human body were said to exist in a state of interdependence, as well as planets and their satellites and the animals and plants co-inhabiting a larger ecological system. Social theorists like Hebert Spencer extended this biological metaphor to larger social relations.⁴² The most famous economic use of this term came in Norman Angell’s 1910 *The Great Illusion*, which argued that the internationalization of finance since the 1870s had so tightly bound together the “half dozen chief capitals of Christendom” that the outbreak of war between them guaranteed mutually assured economic destruction.⁴³ Once this fact was recognized, material self-interest dictated that states would become less warlike. Perhaps more than any other idea, this vision of *doux commerce*, updated for the telegraphic age, became the defining doctrine of the liberal internationalist creed that exists to this day.⁴⁴

⁴¹ This account of the conceptual history relies heavily on the German economist Bernhard Harms’s own telling of his place within it. See Bernhard Harms, *Volkswirtschaft und Weltwirtschaft* (Jena: Gustav Fischer, 1912).

⁴² “Interdependence, n.” *OED Online*. Oxford University Press, June 2016. Web. 6 August 2016; “interdependent, adj.” *OED Online*. Oxford University Press, June 2016. Web. 6 August 2016; James Nasmyth and James Carpenter *The Moon: Considered as a Planet, a World, and a Satellite* (London: John Murray, 1874); Alfred Russel Wallace, *The Geographic Distribution of Animals* (New York: Harper and Brothers, 1876).

⁴³ Norman Angell, *The Great Illusion: A Study of the Relation of Military Power to National Advantage* (London: G.P. Putnam and Sons, 1913), 50.

⁴⁴ Torbjørn L. Knutsen, “A Pillar of Air? Norman Angell and *The Great Illusion*,” in Henrik Bliddal, Casper Sylvest, Peter Wilson, eds. *Classics of International Relations: Essays in Criticism and Appreciation* (New York: Routledge, 13-23).

But this same vision could be turned on its head: far from guaranteeing peace, interdependence also made possible a terrible new weapon of war. The fact that all European states relied on overseas sources of food and raw materials meant that decisive military victory would be possible for whoever could survive a total collapse in global commerce. This idea motivated German calls from the late nineteenth century for a system of national or Central European self-sufficiency as counterweight to Britain's dominance of the seas.⁴⁵ In Britain, by contrast, some argued that the Empire's naval supremacy and control over the infrastructure of world markets would allow it to weather a breakdown in trade longer than Germany. In the run-up to the First World War, officials at the British Admiralty planned to put this weapon to use, but opposition from other government offices and the U.S. prevented them from doing so.⁴⁶ It was now clear, however, that defense against this new economic weapon required either total control over the world economy or total retreat from it. The first view motivated calls during the Great War and its aftermath for the Allies to take control of the world's raw materials in order to starve out a revanchist Germany or an expansionist Soviet Union. The latter view shaped German strategic planning up through the Nazi Four Year Plan of 1936 and after.⁴⁷ After 1945, the fact that defense against economic blockade now had to be nearly worldwide in scope, some argued, meant that traditional assumptions about the sovereignty of the territorial state were no longer valid.⁴⁸ More than the doctrines of comparative advantage or *Weltwirtschaft*, or the liberal

⁴⁵ Kenneth Barkin, *The Controversy over German Industrialization, 1890-1902* (Chicago: University of Chicago Press, 1970).

⁴⁶ Nicholas Lambert, *Planning Armageddon: British Economic Warfare and the First World War* (Cambridge, MA: Harvard University Press, 2012); Katherine C. Epstein, "Scholarship and the Ship of State: Rethinking the Anglo-American Strategic Decline Analogy," *International Affairs* 91.2 (2015): 319–331.

⁴⁷ Adam Tooze, *Wages of Destruction: The Making and Breaking of the Nazi Economy* (New York: Viking, 2007); Mark Mazower, *Hitler's Empire: How the Nazis Ruled Europe* (New York: Penguin Press, 2008).

⁴⁸ John H. Herz, "Rise and Demise of the Territorial State," *World Politics* 9.4 (1957): 473–493.

internationalist vision of the pacifying effects of commerce, it was the starvation and industrial collapse caused by blockade that brought the terrifying reality of the world economy to light.⁴⁹

The increasingly frequent experience of worldwide economic panic also made it clear that interdependence was an inescapable fact of industrial modernity. While crises had spread rapidly between the major Western economies since at least the eighteenth century, it was the crisis of 1857 that observers first thought of as truly world-spanning. Beginning in the U.S., Central Europe, and Britain after the conclusion of the Crimean War, the 1857 crisis sent shockwaves as far off as South Africa and East Asia.⁵⁰ The crisis of 1873 was felt across Europe, Russia, and the U.S., and the panic of 1907 made clear not only that financial centers were tightly linked, but that the hinterlands of a sprawling country like the U.S. were at the mercy of far-off events.⁵¹ After the announcement of the Austrian ultimatum to Serbia in July 1914, stock markets crashed from Peru to Cairo, and the global system of payments routed through the London money market ground to a complete halt.⁵² The deflationary crisis that began in 1920 in Japan, Britain, and the U.S. soon engulfed the earth. The Depression, of course, was far worse. At each of these crises, contemporaries marveled at the global interconnections they showed, which were thicker and further-reaching than most had realized.⁵³ The experience of worldwide crisis also weakened the grip of assumptions about the chasm between the “civilized world” and its “backwards” peripheries. Old imperial hierarchies did not disappear, of course, but territories

⁴⁹ See also Frank Trentmann, “Coping with Shortage: The Problem of Food Security and Global Visions of Coordination, c. 1890s-1950,” in Frank Trentmann and Flemming Just, eds. *Food and Conflict in Europe in the Age of Two World Wars* (London: Palgrave Macmillan, 2006), 13-48.

⁵⁰ Charles Kindleberger, *Manias, Panics and Crashes: A History of Financial Crises* (New York: Basic Books, 1978), 117-134.

⁵¹ Frank Vanderlip, “The Panic as a World Phenomenon,” *The Annals of the American Academy of Political and Social Science* 31 (1908): 2-7.

⁵² Richard Roberts, *Saving the City: The Great Financial Crisis of 1914* (Oxford: Oxford University Press, 2013).

⁵³ Tooze and Fertik argue that the experience of simultaneous worldwide inflation during the First World War also helped to cement belief in a unified world economic system. See Tooze and Fertik, “The World Economy and the Great War,” 223.

once seen as appendages of an Atlantic world system came to be thought of as integral parts of a much larger one. In the 1930s, the effects of plummeting primary commodity prices on industrial economies made it clear that they were no longer insulated from instability in the underdeveloped world. More than anything else, it was this global deflation that showed interdependence knew no borders.

It was thus world war and world crisis, just as much as any particular tradition of economic theory, that gave rise to a vision of the world as “a single economic system.”⁵⁴ This, in turn, led to assumptions that international stability depended on its maintenance through a novel form of international administration. A new mission for the European experts and bureaucrats that had come of age during the First World War was born – one that was distinct to the promotion of free trade or financial integration. The ideas and practices they developed are the focus of the history told here.

It begins with the two precedents for all of their subsequent efforts: the wartime supply of the Allies and the postwar financial stabilization of Austria. Chapter One looks at the creation of inter-Allied economic organizations during World War I, which were the first bodies given broad responsibility for international economic management and for coordinating the policies of different national administrations. Many hoped these bodies would be kept in place after the war to lead Europe’s reconstruction and to contain Germany and the Soviet Union with the threat of blockade. But they were dismantled as part of a larger process of postwar demobilization. Chapter Two considers the challenge of establishing a similar system of international management during peacetime. In the early 1920s, the League of Nations repurposed semi-colonial mechanisms of financial control for a program of technical assistance for Albania and

⁵⁴ J.A. Hobson, *Rationalisation and Unemployment: An Economic Dilemma* (London: Allen & Unwin, 1930), 125.

then for the financial reconstruction of Austria. This gave rise to controversy about the application of colonial methods to Europe and about whether international management needed to involve such humiliating violations of national sovereignty.

The following two chapters look at the evolution of international economic expertise in response to the crisis of 1920-1 and the Depression. Chapter Three examines how ILO officials attempted to establish an international program of business cycle research in the early 1920s. League officials reluctantly joined this effort, though they were fearful of threatening financial orthodoxies and wary of supporting the ILO's labor-focused policies. By the middle of the decade, there was a joint League-ILO program of research on economic crises and business forecasting. But by 1929, the international study of crisis was underdeveloped. Chapter Four considers its rapid growth during the Depression, when officials at the League's Economic Intelligence Service attempted to collect economic statistics from states around the world and, on the basis of this data, understand how business cycles were transmitted globally.

The final three chapters look at how the experience of the Depression as a world problem shaped efforts to expand and coordinate the new national economic powers of the state on the international level. Chapter Five examines the League's first major attempts to build up institutions of national governance on the ground: its failed mission to create an economic planning council in colonial India and its more successful one in Nationalist China. In China, this was the first time that an international organization took responsibility for a major program of economic development in a sovereign state. Chapter Six considers the emergence of different reflationary responses to the world depression in the middle of the 1930s, which shaped three policy ideals that were central to postwar planning: the international development of poor countries and colonies, commodity price stabilization, and international measures to guarantee

full employment and prevent the spread of business cycle downturns. Chapter Seven looks at how these three schemes informed wartime economic planning among international experts and British and U.S. government officials from 1941 to 1945. Efforts to create a new administration to harmonize these expansionary policies with commercial liberalization and monetary stabilization faltered in the run-up to Bretton Woods. But they were held up as a missed ideal after 1945, and were promoted long after by Third World states looking to reshape the global distribution of power and wealth.

Even as these more ambitious plans went unrealized, the efforts of the interwar period made possible one of the most dramatic transformations of the twentieth century: the creation of international mechanisms to manage the global capitalist system. During the 1940s, the U.S. state inherited ideas and techniques from the Europeans who had developed them since the Great War, but they were repurposed to better suit the global projection of American power. Efforts to create a world economic administration had originally emerged as a strategy by European states to mitigate the loss of power they had suffered during the First World War. The most ambitious visions of international economic organization were always desired by those who could not dominate the world economy and shape it according to their interests: the French at the end of World War I, the British at the end of World War II, and Third World states during the Cold War. This story speaks both to the promise of international organizations for augmenting the power of the weak and to the ease of their capture by the strong.

PART I:
PRECEDENTS

CHAPTER ONE

The Wartime Origins of International Economic Management: Food, Raw Materials, and Shipping, 1916-20

I. The Great War and the Future of International Organization

In the years after the conclusion of the First World War, the most common criticism of the postwar settlement – besides the allegedly Carthaginian treatment of Germany– was that it had not resulted in an international system capable of coordinating economic stabilization and reconstruction. The American journalist Ray Standard Baker provided a characteristic account of this supposed error of Allied planning in his famous 1923 history of the Paris Peace Conference.¹ While the war and its aftermath had demonstrated the obvious need for new means of guaranteeing international economic stability, Baker wrote, Wilson had paid little attention to the economic problems of the peace. He was concerned only with promoting open commerce and the freedom of the seas – commitments that reflected the overwhelming, and now unrivaled, economic dominance of the United States. What Wilson had failed to realize was that a lasting peace required not only the creation of an international political body, the League of Nations, but also new mechanisms for promoting economic cooperation across the entire world – to get it to “function again as an economic whole,” Baker wrote, “with all its essential parts contributing their share to the general welfare.”² The international economic bodies created during the war to coordinate the supply of the Allies, which were “far in advance of and much more powerful than any ever known before,” provided a model for how these new mechanisms could be designed.³ In 1919, these wartime bodies had been merged into a larger organization, the Supreme

¹ Ray Stannard Baker, *Woodrow Wilson and World Settlement*, 3 Vols. (London: William Heinemann Ltd., 1923).

² *Ibid.*, Vol. II, 335.

³ *Ibid.*, 335.

Economic Council, which was tasked with feeding and pacifying a devastated postwar Europe. This institution, dismantled in 1920 by a U.S. government eager to return to a prewar system of laissez-faire, had demonstrated how the economic life of the entire world might be brought under rational control. It was “for a brief time a kind of economic world government,” Baker insisted, “the greatest experiment ever made in the correlation, control, and direction, in time of peace, of international trade and finance.”⁴

Baker was not alone in criticizing Wilson for his failure to establish a stable postwar economic settlement. This was also a central claim of John Maynard Keynes’s 1919 *Economic of Consequences of the Peace*, the book that vaulted him to international fame. Baker’s suggestion that Wilson had made a tragic error in prematurely dismantling the Allies’ wartime economic organizations was also a widely-shared view during the interwar period. According to one common narrative, these inter-Allied organizations stood at the pinnacle of an evolutionary process of growth in international administration and could have formed the basis for a future world economic organization to complement the League of Nations. During the nineteenth century, the expansion of international commerce and innovations in communications and transportation technology had forced the world into a closer union than ever before. This had necessitated new forms of international technical management – to ensure the navigability of rivers that crossed national borders, for example, and to regulate public health matters of international concern.⁵ During the Great War, this process had accelerated dramatically, as new mechanisms were created to manage an Allied system of supply that stretched “literally to the

⁴ Ibid., 335.

⁵ See, for example, Dwight W. Morrow, *The Society of Free States* (New York: Harper & Brothers, 1919), 78-118; Alfred Zimmern, *The Prospects of Democracy, and Other Essays* (London: Chatto & Windus, 1929), 211-232. For other contemporary accounts of these organizations, see Paul Reinsch, *Public International Unions: Their Work and Organization, A Study in International Administrative Law* (Boston: Publications for the World Peace Foundation, 1911); Leonard Woolf, *International Government* (New York: Brentano’s, 1916); Francis Sayre, *Experiments in International Administration* (New York: Harper, 1919).

ends of the earth.”⁶ For many, these wartime bodies seemed to offer a new means of regulating the world’s commercial and financial systems that had violently collapsed with the outbreak of war in 1914. “Never before has the world been under so complete a control of its economic life as during the latter part of the war,” the British internationalist intellectual Alfred Zimmern wrote in 1936. “The loose and private international economic organisation, which had grown up in the nineteenth century and had come to be taken for granted, was suddenly torn asunder and cast aside.”⁷ At the very least, keeping these bodies in place for longer might have helped the world to avoid the postwar breakdown of the international economic system – to “span the chasm,” as R.H Tawney put it, “in which so much of the future went to wreck.”⁸

For those on the social democratic left, these wartime bodies seemed to promise a means of replacing the liberal international capitalist order of the prewar era with a system of quasi-planning and control.⁹ As Albert Thomas, head of the ILO, remarked in 1926, “I have always been astounded to see with what ease – or should I say thoughtlessness – we abolished, at the behest of President Wilson and American opinion, the international organization that made possible the economic life of nations during the war and that, usefully transformed, would have facilitated the passage to the organization of peace.”¹⁰ Others worried that this system looked dangerously close to a socialist planned economy writ large.¹¹ But it did have considerable appeal for some liberals: at the end of the war, Zimmern, then working for the British Foreign

⁶ Morrow, *The Society of Free States*, 100.

⁷ Zimmern, *The League of Nations and the Rule of Law, 1918-1935* (London: Macmillan, 1936), 146.

⁸ R.H. Tawney, “The Abolition of Economic Controls, 1918-1921,” *The Economic History Review* 13.1/2 (1943): 1-30, at 29.

⁹ See, for example, F.E. Lawley, *The Growth of Collective Economy*, Vol. II (London: P.S. King & Son, 1938), 7-19.

¹⁰ “Directeur du Bureau International du Travail, sur les problèmes du relèvement économique, vus du B.I.T.” CAT 2-6. Archives of the International Labour Organization (hereafter, ILO). Geneva, Switzerland.

¹¹ On this point, see, for example, Marc Eric McClure, *Earnest Endeavors: The Life and Public Work of George Rublee* (Westport: Praeger, 2003), 140-141.

Office, defended their continued postwar use on Cobdenite grounds. In a co-authored 1919 memorandum, he suggested that an international economic organization, modeled on the inter-Allied bodies, would not violate the principles of nineteenth-century free trade liberalism. It would perform “consciously and deliberately the world function performed according to the free trade theory by the spontaneous and accidental cooperation of innumerable individuals and firms.”¹² The supposed error of prematurely dismantling the wartime system provided a cautionary tale for years to come. In the 1940s, many looked back at this immediate postwar moment for lessons about what to avoid in creating a new and more stable international order in the aftermath of the Second World War.¹³

The postwar enthusiasm for the Allies’ wartime bodies has become a fixture of historical literature on interwar internationalism and international organizations, which has emphasized the importance of wartime economic cooperation for the foundation of the League of Nations and, more broadly, for the kind of “technocratic internationalism” that underpinned the League’s work in regulating public health issues, policing contraband, and facilitating economic and financial cooperation. Some have even suggested that the earliest origins of the European Union should be found in the Allies’ wartime cooperation, not least because this is where Jean Monnet, in his twenties, began his long career.¹⁴ These accounts are right to emphasize the centrality of

¹² “Outline of Memorandum on Inter-Allied Organisation in the Transition Period.” Alfred Zimmern Papers, Bodleian Library, Oxford University (hereafter, BLO). MS 81.

¹³ See, for example, Henry B. Brodie and Karl W. Kapp, *The Breakdown of Inter-Allied Economic Collaboration in 1919* (Washington, D.C.: National Planning Association, 1941); J.B. Condliffe, *Agenda for a Postwar World* (London: George Allen & Unwin, 1943), 49-61; Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945), 53-70; David Thomson, *Patterns of Peacemaking* (London: K. Paul, Trench, Trubner, 1945), 19-41. Of particular interest is the PhD dissertation of William Diamond, a student of Charles Beard at Johns Hopkins and later a leading member of the World Bank, published in 1943 as *The Economic Thought of Woodrow Wilson* (Baltimore: Johns Hopkins, 1943), especially 162-192.

¹⁴ See, for example, Kaiser and Schot, *Writing the Rules for Europe*, 64-67; Decorzant, *La Société des Nations*, 110-161 and “Internationalism in the Economic and Financial Organisation of the League of Nations,” 115-133. On the inter-Allied system itself, see Adam Tooze, *The Deluge*, 199-217; Anne Orde, *British Policy and European Reconstruction after the First World War* (Cambridge: Cambridge University Press, 1990), 1-64. Frank Trentmann’s

the experience of the war for the foundation of the League and for later experiments in technocratic forms of international cooperation. The striking continuity in personnel between the wartime organizations and their postwar successors is evidence of this fact alone. But these accounts have the tendency to read the war experience through the lens of postwar internationalist enthusiasm, seeing the foundation of the League as the natural outcome of the Allies' wartime cooperation. In part, this is because the most influential accounts of this cooperation were written after the war by those who led it, and who subsequently became some of Europe's most influential internationalists, including Arthur Salter, who was in charge of British shipping during the war and later head of the League's Economic and Financial Section; Etienne Clémentel, the French Minister of Commerce during the war and, after it, the first head of the International Chamber of Commerce; and most famously, Clémentel's deputy, Monnet, the godfather of post-1945 European integration.¹⁵ Salter's account of wartime cooperation, the 1921 *Allied Shipping Control*, became something of a classic among internationalists in the 1920s and 1930s as a guide for achieving international cooperation in technical and economic matters when the political seemed out of reach. As the American international lawyer Quincy Wright wrote in a review of the book, Salter had offered sound advice for the internationalist "who, desiring a diminution of war and an increase of international coöperation, wants to know why many apparently direct roads to these desiderata are rightly considered futile by practical men."¹⁶

Free Trade Nation, especially 241-284, looks at the significance of wartime Allied economic cooperation for postwar British debates about free trade.

¹⁵ Salter, *Allied Shipping Control: An Experiment in International Administration* (Oxford: Clarendon Press, 1921); Clémentel, *La France et la Politique Économique Interalliée* (Paris, Les Presses universitaires de France, 1931); Jean Monnet, *Memoirs*, trans. Richard Mayne (London: Collins, 1978), 53-77.

¹⁶ Quincy Wright, review of Arthur Salter, "Allied Shipping Control," *American Political Science Review* 15.4 (1921): 602-603, at 602.

Historical interest in the inter-Allied organizations derives primarily from the fact that they represented an early “experiment in international administration,” as Salter himself termed it, which gave rise to the later forms of technical international governance that remain with us today. But by telling the story of wartime collaboration as leading directly to postwar internationalist innovation, these accounts overlook the original aims many envisioned for the wartime system’s future use. This system was not just to provide a tool for promoting international cooperation, but also for continuing the war against the enemies of the Allies, by other means, far into the future – first against Germany and then the Soviet Union. Throughout the war, bureaucrats and intellectuals at the French Ministry of Commerce worked tirelessly to transform the Allied administration into a standing, postwar economic administration, which would take control of the world’s supply of raw materials and block the Allies’ enemies from access to them. These plans were popular among certain officials in the British war ministries, particularly around the time of the Armistice, but gave way after the war to a new project for the inter-Allied system: using it to prevent revolution from spreading across Europe and to strangle it where it had already occurred. These two aims were not unrelated: the inter-Allied system, from start to finish, was intended to be a tool for harnessing and coordinating technical expertise to protect the positions of the Allied powers and to mitigate their weakened positions in a global order upended by four years of war.

This chapter revisits these wartime debates about establishing a peacetime world economic organization by tracing the emergence of a new form of international technical expertise from 1916-20. In doing so, it shifts the standard focus of economic histories of the war and its aftermath from financial cooperation to the international control of commodities,¹⁷ and

¹⁷ Kathleen Burk, *Britain, America, and the Sinews of War, 1914-1918* (London: Routledge, 1985).

looks at the specific innovations in the coordination of technical expertise across national borders that made possible the Allies' unprecedented wartime system of global rationing. Salter was right when he said that the task of waging a world war gave rise to an entirely new form of economic expertise: "the problem could not be simply solved by turning it over to experts," as he put it, "for such work there were no experts."¹⁸ From 1917 to 1920, the question became how to harness this expertise for postwar use. Immediately after the war, many hoped the inter-Allied bodies could take charge of Europe's reconstruction, in large part to contain the threat of Bolshevism. In 1920, the inter-Allied system was dismantled at the behest of Wilson and his advisers. But it had given rise to a powerful new vision of international order, one that would prove long-lasting: of an international economic system that could be studied and mastered by experts, brought under bureaucratic control, and shaped according to national needs. This vision would motivate the search, throughout the interwar years, for mechanisms to govern the world economy. But what it was at the beginning was very different to what it would become.

II. The Evolution of the Inter-Allied System

The gradual establishment of an inter-Allied system of supply and control between 1914-16, and then with accelerated pace in 1917, came as an ad hoc and unexpected bureaucratic innovation in response to German submarine warfare and its devastating strangulation of the French and Italian war economies, and emerged out of the extensive national systems of state controls over imports and shipping that had been put into place in Allied states during the first two years of the war. In Britain, these controls were first erected in response to the challenge of transporting huge numbers of troops from the colonies and dominions, and of moving military

¹⁸ Salter, *Allied Shipping Control*, 14.

supplies to the European theater. Learning from the experience of the Boer War, when the government charter of ships on the private market had caused freights to skyrocket, and anticipating an even greater demand for tonnage now, the Crown granted broad powers of requisition to the Admiralty in August 1914.¹⁹ For France, whose merchant fleet was a fraction the size of Britain's, the challenge of shortages in shipping was much greater, particularly after 1916. France was more self-sufficient in agricultural products than the British, who relied heavily on the empire and other external suppliers for food. But French supplies of coal were minimal, particularly after the German invasion of the north. Britain took responsibility for purchasing many of the commodities France required and for providing the ships needed to carry its imports.²⁰ After it joined the Entente in April 1915, Italy faced similar problems. As the war dragged on, both countries relied more and more on overseas imports, which made them progressively more dependent on British assistance to ship them. By late 1916, almost half of all French imports were being carried in British vessels. This assistance was still mostly improvised and unplanned, and both France and Italy were left to decide how the vessels they borrowed from Britain would be allocated. Each country was still responsible for managing its own supply and transport.²¹

The first two years of the war saw partial efforts to put Allied economic cooperation on surer footing. In August 1914, Britain and France established a supranational bureau, the Commission Internationale de Ravitaillement, to centrally coordinate the purchase of military supplies in order to prevent Allied competition for these supplies on private markets from driving

¹⁹ C. Earnest Fayle, *The War and the Shipping Industry* (London: Oxford University Press, 1927), 68-71.

²⁰ Elizabeth Greenhalgh, *Victory through Coalition: Britain and France during the First World War* (Cambridge: Cambridge University Press, 2005), 102-103; C. Earnest Fayle, *Seaborne Trade. Volume II: From the Opening of the Submarine Campaign to the Appointment of the Shipping Controller* (London: J. Murray, 1923), 399-400.

²¹ J.B. Duroselle, "Strategic and Economic Relations During the First World War," in N.H. Waites, ed., *Troubled Neighbours: Franco-British Relations in the Twentieth Century* (London: Weidenfeld, 1971), 50.

up their prices. It functioned by allocating orders from French officials directly to suppliers across the British Empire, and by serving as a “central information bureau” to provide French purchasers with information on the best ways to acquire the goods they needed.²² It was gradually scaled up to include the other Allied powers, but always functioned more as a British organization, run on British credit and limited to purchases from British suppliers, than as an actual inter-Allied consortium. And it only covered the purchase of military equipment and not foodstuffs and other raw materials.²³

By the end of 1916, this limited system of Allied cooperation was proving insufficient to the demands of the war. The German submarine campaign was taking a heavy toll on British shipping just as poor harvests and dwindling supplies of coal in France and Italy were causing demand for British tonnage to skyrocket.²⁴ The Allies had reached a cross-roads: the more ships that Britain loaned to France and Italy, the fewer that were available for the British war effort. The more ships that were used for supplying militaries and war industries, the fewer that were available to carry food. To economize on available ships, import priorities had to be decided at the national level and coordinated at the international. Worsening shortages, and a deadly German submarine campaign, were straining the war economies of Allies to the breaking point. France and Italy were facing major shortages in coal, while a disastrous North American harvest had dangerously reduced the world’s supply of wheat, leaving Australia as the only major supplier of Allied needs for the following year. France and Italy lacked the ships needed for this long journey, and faced their own poor harvests.²⁵ French officials immediately began to press

²² “Work of the Commission Internationale de Ravitaillement.” British National Archives. Public Record Office. London, United Kingdom (hereafter, TNA) CAB 37/145/15.

²³ “Commission Internationale de Ravitaillement: Establishment and Function.” TNA MAF 60/72; *Allied Maritime Transport Council: Part 2, November 1918-April 1919* (London, 1919), 26.

²⁴ Greenhalgh, *Victory through Coalition*, 104-105.

²⁵ Fayle, *Seaborne Trade. Volume II*, 377-380.

the other Allies to establish some kind of inter-Allied system for the purchase and allocation of wheat – to replace the “chaotic system” of trade, one later wrote, with “a rational and complete organization.”²⁶ At an Allied meeting in Paris in November 1916, Etienne Clémentel, French Minister of Commerce, Walter Runciman, the head of the British Board of Trade, and Giovanni Raineri, the Italian Minister of Agriculture, agreed to create an international consortium to make joint purchases of wheat for all of the Allies at fixed prices. This organization, the “Wheat Executive,” functioned more as a supranational body than the Commission Internationale de Ravitaillement. Each state appointed one representative to the Executive, which directly purchased wheat from suppliers across the world according to the amount required by each state. Available Allied ships would then be allocated to carry it as economically and efficiently as possible.²⁷ By circumventing normal market mechanisms, this system eliminated inefficiencies that, during wartime, could be disastrous.

While a solution to the immediate global crisis of wheat shortages seemed to have been found, the Allies’ continued dependency on overseas sources for foods and raw materials provided an Achilles’ heel that Germany was eager to pierce. On February 1, 1917, the German Navy opened its campaign of unrestricted submarine warfare against all vessels, Allied and neutral, in British waters, leading the United States to declare war in April. But far from saving the Allies from immediate defeat, U.S. entry into the war promised even more logistical chaos. Transporting American troops and supplies across the Atlantic would require outlays of tonnage that the Entente did not have at its disposal. Redirecting more British vessels to this task would require further cuts in Allied imports in food. But Clémentel insisted that by the spring or

²⁶ “Rapport Sur l’Origine et la Création des Différents Comités du Ravitaillement à Londres,” 11-12. Jean Monnet Papers. Jean Monnet Foundation (hereafter, JMF). Lausanne, Switzerland. AMB 1/1/77.

²⁷ “An Agreement between Italy, France, and the United Kingdom of Great Britain and Ireland.” TNA T 1/12405.

summer of 1918, France would be facing famine.²⁸ In the autumn of 1917, Clémentel warned of revolution in France from food shortages, which would force France to quit the war.²⁹ The American entry into the war did promise to solve the financial constraint the Allies had faced since its beginning, but the shipping bottleneck it would cause seemed just as challenging. Solving this problem became one of the top priorities of the Allied war effort.³⁰

Responsibility for strategizing a new inter-Allied approach to shipping fell to the ambitious and unorthodox pair of French and British civil servants, Jean Monnet and Arthur Salter. Born to a prominent family of cognac merchants in 1888, Monnet had come to London in his mid-twenties to work at the Commission Internationale de Ravitaillement. During the war he became a close aide to Clémentel in London and originally pioneered the idea of the Wheat Executive in 1916. Salter, seven years Monnet's elder, was, by contrast, an experienced career bureaucrat, having worked during the first years of the war at the Admiralty overseeing the requisition of vessels and the extension of national controls over imports.³¹ Their combined expertise proved crucial in transforming how Allied ministers and political leaders understood the task of managing the joint Allied economic war effort. In the autumn of 1917, Monnet and Salter, along with a small handful of other British officials, pressed their governments to establish an Allied shipping pool based on their co-authored designs.³² The conditions were now in place to make this supranational system possible. France and Italy had followed Britain's lead in creating the far-reaching national controls it would require. Imports were being limited and

²⁸ *Allied Maritime Transport Council, 1918* (London: 1918), 17. In October 1917, Clémentel threatened British officials to resign if an immediate solution to the problem of France's food scarcity was not found. "Minutes of a Meeting of the War Cabinet. October 30, 1917, at 11:30 A.M." TNA CAB 23/4/34.

²⁹ "Minutes of a Meeting of the War Cabinet. October 31, 1917, at noon." TNA CAB 23/4/35.

³⁰ On this point, see also Tooze, *The Deluge*, 202-205.

³¹ Salter, *Memoirs of a Public Servant* (London: Faber, 1961), 73-104.

³² *Ibid.*, 113.

allocated by the state and requisitioning had been extended to cover nearly every available vessel.³³

Breakthrough was achieved at an inter-Allied conference in Paris in November 1917, to which representatives were invited from across the entire globe. Of the new Allies, Chinese, Siamese, Cuban, Brazilian, Liberian, Montenegrin, and American delegates were in attendance. Russia, torn apart by revolution, sent two.³⁴ The conference represented a major turning point in the war: a unanimous agreement was reached to establish an inter-Allied body to organize the most economical use of Allied ships for the overall war effort, allocate them according to need, and coordinate the restriction of each state's imports in order to free up the maximum tonnage possible. Each of the four major allies would designate two representatives to the body, who would meet periodically in London or Paris to exchange information on their respective countries' import requirements and design coordinated strategies to meet them. No state would give up control over the ships it possessed, nor would it be forced to follow the recommendations of this new body, which was to serve as a centralized planning mechanism for the global war effort, but not as an economic generalissimo.³⁵ Action on its recommendations remained the responsibility of each national government.³⁶

This organization, called the Allied Maritime Transport Council (AMTC), began its work immediately, meeting for the first time in an official capacity in March 1918.³⁷ Its European representatives were among the leading economic ministers of each member state: from France,

³³ C. Earnest Fayle, *Seaborne Trade, Volume III: The Period of Unrestricted Submarine Warfare* (London: J. Murray, 1924), 240-1.

³⁴ On the conference, see U.S. State Department, *Papers Relating to the Foreign Relations of the United States* (hereafter, FRUS), 1917, Supplement 2, 334-445.

³⁵ Salter was particularly proud of this fact and emphasized it repeatedly in his postwar account of the economic war effort. See Salter, *Allied Shipping Control*, 248.

³⁶ Conference des Alliés." TNA FO 286/655; *Allied Maritime Transport Council, Part 2*, 34-37.

³⁷ "Allied Maritime Transport Council: Minutes of First Session at Lancaster House, London. March 11-14, 1918." TNA CAB 24/47.

Clémentel and Louis Loucheur, who had replaced Albert Thomas at the Ministry of Munitions in September 1917; from Britain, Robert Maclay and Lord Robert Cecil, the Minister of Blockade, with Salter serving as secretary; and from Italy, the Minister of Supply Silvio Crespi and Under-Secretary for Transports Salvatore Orlando. The American members were the civil servants Raymond B. Stevens and, after July, George Rublee. Working under the AMTC was a Tonnage Committee and an Import Committee, as well as several Programme Committees that liaised between the AMTC and national government agencies with responsibility for specific commodities. The Programme Committees were then coordinated under a Food Council and a Munitions Council. The AMTC, which met only four times before the conclusion of the war, also appointed a smaller executive body to do its daily work, the Allied Maritime Transport Executive (AMTE), which was permanently located in London and staffed by Salter, Monnet, Rublee, and the Italian economist Bernardo Attolico. This body liaised with government representatives daily by telephone and cable but was given broad scope to coordinate Allied policies. Staffed by technical experts and not official ministers, it had greater freedom to craft the controversial policies of economic control and restriction than did the larger AMTC. This was by design: the international coordination of the war effort was to be kept as far outside the realm of national politics as possible.³⁸

Planning the worldwide coordination of Allied shipping required unprecedented feats of global data collection and interpretation. Information about each country's import requirements, and the markets from which each class of commodity was to be bought, was collected and systematized by corps of experts assembled from each member state. They reported directly to the members of the inter-Allied bodies, which, in turn, formulated policies based on this

³⁸ On this point, see McClure, *Earnest Endeavors: The Life and Public Work of George Rublee*, 144.

information. This pool of experts was drawn largely from the military, private business, and the various European war ministries. Since the U.S. lacked an equivalently organized war economy, American representatives were drawn more heavily from business, with financiers and entrepreneurs, like Lucius Pond Ordway, one of the first principal investors in the Minnesota Mining and Manufacturing Company, given responsibility for the purchase of goods like cotton, leather, jute, and hemp. Prominently represented were influential members of the East Coast internationalist professional elite.³⁹ Staffing the Inter-Ally Council on War Purchase and Finance, for example, was the powerful New York attorney Paul Drennan Cravath. Few academic economists were put into the service of this system, though the Italian Attolico claimed professional training in commerce and Lincoln Hutchinson, who oversaw U.S. purchase of metals, rubber, varnish, and nitrates, was a professor of economics at the University of California, Berkeley.⁴⁰

For the first meeting of AMTC, total import requirements of the three major European Allies were measured against total tonnage available. This information was broken down into individual commodities, which were then sorted according to the region of their provenance. Between April and August 1918, for example, it was determined that France would expect to receive roughly 7.1 million tons of coal from Western Europe and North Africa and 11,000 from North America and the Gulf of Mexico. Of its timber, 92,000 tons would come from North America, 5,000 from West Africa and Brazil, and 4,000 from the Far East and Australia.⁴¹ Dealing with shortages on a commodity to commodity basis, as opposed to a national one, was

³⁹ On the Northeastern internationalist “caste,” see Robert Divine, *Second Chance: The Triumph of Internationalism in America During World War II* (New York: Atheneum, 1971), 6-23.

⁴⁰ *Allied Maritime Transport Council, 1918*, 143-147.

⁴¹ *Allied Maritime Transport Council, 1918*, 94.

thought to reduce competition between the Allies for goods. Before the creation of the inter-Allied system, as one American memo put it:

whether or not France got [coal] depended on political considerations, and in particular whether or not Monsieur Clemenceau's appeals for coal were more eloquent than Mr. Lloyd George's asseveration that ships could not be spared. The whole system tended to produce friction and ill-considered action. It substituted the heavy play of international politics for the technical advice and agreement which was really needed.⁴²

The search for the kind of "technical advice" needed to manage wartime scarcities forced innovations in how global economic and shipping data was collected and analyzed, building on techniques that had been developed in Britain from the turn of the century.⁴³ Working with index cards, telegraphs, and telephones, a small handful of experts collected and analyzed statistical details of the world's commodity markets, the routes that connected them, and the ships that were available to cross them. The elaborate mechanism employed to keep track of every single vessel available to the Allies was based on a color-coordinated system of cards (green for oil tankers, for example, and pink for cargo). Each ship had its own card with information on its movements, size, speed, age, and whether or not it was armed. Metal tabs on top of the cards indicated the ship's nationality, and a detailed index contained information on the owners. These cards were updated constantly with information collected from as many sources possible: telegrams from Allied naval, shipping, and customs officials; messages intercepted from the enemies; and daily reports of scheduled arrivals and departures of Allied vessels from ports around the world. Another record, the "Geographical Distribution Index," kept track of all Allied and neutral

⁴² "American Representatives on Inter-Allied Bodies in London with special Reference to the Organisation of the Allied Maritime Transport Council." American Shipping Mission, Statistical Division. December 1918. Register of the Allied and Associated Powers (1914-1920) Inter-Allied Food Council, 1917-1919. Box 20. Hoover Institution Archives. Palo Alto, California (hereafter, HIA).

⁴³ On the development of the British Navy's data-gathering mechanisms, see Nicholas A. Lambert, "Strategic Command and Control for Maneuver Warfare: Creation of the Royal Navy's "War Room" System, 1905-1915," *Journal of Military History* 69.2 (2005): 361-410

vessels in a given region or along a given route.⁴⁴ The British Ministry of Shipping provided the inter-Allied bureaucrats with its entire card catalog record of British vessels, which was so large that it took up an entire story of a building and required an around-the-clock staff to keep it updated.⁴⁵ American statistical contributions to the body were paltry by comparison, and proved a source of embarrassment to U.S. officials in London.⁴⁶

Precise calculation of human and animal biological needs was also crucial for determining how the global supply of commodities could be measured and brought under centralized control. In charge of this was the Inter-Allied Food Council, which took responsibility for imports in frozen meat, sugar, cereals, and oil seeds for each country. (Salter was on the staff of this body as well.) At the November 1917 meeting in Paris, which established the AMTC, an Inter-Allied Scientific Food Commission was created to provide the scientific expertise needed for deciding on the kinds and amount of food each country needed. Unlike the AMTC, it was staffed heavily by academics: medical and agricultural experts, physiologists, biologists, one economist, E. Dana Durand from the University of Minnesota, and statisticians such as Corrado Gini from the University of Padua. The American physiologist Graham Lusk from Cornell and the Yale-based physiological chemist Russell H. Chittenden were recommended for this job by Herbert Hoover to Wilson himself.⁴⁷ This organization developed a standardized measure of human caloric requirements according to gender, age, and strenuousness of work, and calculated how much they could be reduced without injury. It sought to determine how food production could be fine-tuned according to available resources and imports in certain

⁴⁴ *Allied Maritime Transport Council, 1918*, 238-240.

⁴⁵ Memo by James A. Field. 10 January 1919. Edwin Francis Gay Papers. Box 2. HIA.

⁴⁶ James A. Field to Edwin Francis Gay, 1 May 1918. Gay Papers. Box 2. HIA.

⁴⁷ Hoover to Wilson. 7 January 1918. Register of the Allied and Associated Powers (1914-1920) Inter-Allied Food Council, 1917-1919. Box 1. HIA.

goods could be restricted. Troops at the front were to receive 3,800 – 3,900 calories a day, for example, while troops fighting away from the front got 3,300. (Soldiers at Alpine altitudes were to receive an extra 200.)⁴⁸ For civilian populations, a measure was established of the requirements of the “average man” – weighing 70 kilograms, working eight moderate hours a day, and in a climate similar to that of Britain and France – to determine how much food each country should receive. What the “average man” needed varied according to national food cultures and national differences in climate and physiognomy. According to a report by the British physiologist E.H. Starling, the daily energy needed by an adult human was a ratio of the square meters of his or her body surface per hour measured against external temperature. The fact that average temperatures and wind velocities varied in different countries, as did national averages in height and weight, meant that there were no non-national caloric standards: those of a British man were higher per day (3,300) than his smaller and warmer Italian counterpart (3,177). With these standardized national figures, total daily requirements of an entire population could be determined by assigning different age and gender groups numerical values against that of the “average man.” Children of both genders up to 5 years old counted for half of this number, for example, and thus required only half the daily calories, while women over the age of 14 counted as 83% of an adult male.⁴⁹

The task of ensuring that civilian populations were fed required calculation of the amount of land, animals, and crops available in each Allied state, measured against the amounts needed to maintain adequate levels of human health. The Inter-Allied Scientific Food Commission

⁴⁸ Commission Scientifique Interalliée du Ravitaillement. Procès-Verbal de la séance du 4 Mai 1918. Register of the Allied and Associated Powers (1914-1920) Inter-Allied Food Council, 1917-1919. Box 1. HIA. On the standardization of the calorie, see also Nick Cullather, “The Foreign Policy of the Calorie,” *American Historical Review* 112.2 (2007): 337-364.

⁴⁹ Résumé des travaux de la Commission Interalliée du Ravitaillement. Register of the Allied and Associated Powers (1914-1920) Inter-Allied Food Council, 1917-1919. Box 1. HIA.

estimated every head of livestock in Europe in order to calculate how much the consumption of meat needed to be reduced to make possible the increased production of milk, required “especially for the nourishment of children.”⁵⁰ This required estimates of the total availability of land for grazing across Europe as well as the quantities of feed needed to keep this number of animals alive. Humans, it was decided, did not need a set amount of meat to survive, since the proteins in meat could be easily replaced by other animal products and by certain grains. Humans did need a significant quantity of fat, however – 75 grams per soldier per day – which was to be taken as much as possible from non-animal sources. Finding the best sources required chemical analysis of the nutritional components of a variety of different plants, and then a ranking of which provided the highest combination of proteins and fats. (Flax, brassica rapa, opium poppies, cannabis sativa, almonds, aleurites moluccana, and coconuts came out on top.)⁵¹ The scales of analysis needed to manage global wartime shortages extended down to that of the molecular.

Within weeks of its creation, the inter-Allied bodies were performing a far-reaching program of international rationing in foodstuffs, ships, and raw materials. The first major challenge the AMTC solved – Italy’s coal shortages – shows how extensive its ambitions were by the spring of 1918. Italian experts had calculated that Italy required 600,000 tons of coal per month to keep its war machine from collapsing. Normally, this coal would be shipped directly to Italy from suppliers in Britain, which was a relatively long journey overseas through the dangerous waters of the Mediterranean. A faster and safer alternative was to send 350,000 tons

⁵⁰ “Inter-allied Scientific Food Commission. Provisional Report of the Proceedings of the Commission at their Meeting in Paris, October 14-23, 1918.” French National Archives (hereafter, FNA). Paris, France. Ministry of Commerce. F/12/7798.

⁵¹ Annexe au Procès-Verbal du 10 décembre 1918. Register of the Allied and Associated Powers (1914-1920) Inter-Allied Food Council, 1917-1919. Box 3. HIA.

from mines in southern France to Italy via rail, which, pending the agreement of neutral Switzerland, could pass through the Simplon tunnel in the Swiss Alps. This same amount of British coal would then be sent in compensation to a coal-starved France along shorter routes through the Channel to Dunkirk and Rouen. The coal would mostly be carried in smaller vessels not involved with transatlantic supply, although a few ocean-going ships would be redirected to France from their normal routes. It would then be sent to Italy by rail as well. Dutch ships stationed in American ports would be reallocated to complete the transatlantic routes of the ships that had been redirected to France, which required negotiations with the neutral Netherlands. Through this complex series of reallocations and negotiations, the AMTC guaranteed that the need for long and dangerous overseas journeys from Britain to Italy, as were standard during the first years of the war, would be kept to a minimum.⁵²

Conscious control and dictate over global commodity and shipping markets had replaced the normal interaction of supply and demand. This was made possible through the work of a small handful of experts gathered in London and the negotiations of high-level ministers – like Loucheur, who now had singular authority over French coal supply – of the states they represented.⁵³

The system was extended to cover all imports in munitions, raw materials, and foods for the three European allies, as well as the provision of relief for occupied Belgium and the supply and transport of American troops to France. But its work was not limited to Europe and the North Atlantic. In the spring and summer of 1918, the AMTC designed a complex series of triangular transoceanic routes to meet shortages across the world. No spare tonnage would be

⁵² “Allied Maritime Transport Council: Minutes of First Session at Lancaster House, London. March 11th-14th, 1918.” TNA CAB 24/47/45.

⁵³ Stephen D. Carls, *Louis Loucheur and the Shaping of Modern France, 1916-1931* (Baton Rouge: Louisiana State University Press, 1993), 74.

wasted. Thirty ships seized from Germany, for example, were put into service bringing British coal across the Atlantic to Brazil. There they would pick up Brazilian manganese, coffee, and other goods and transport them to the U.S., before moving munitions back across the ocean to France. This obviated any need for ships to make the transatlantic voyage without cargo, as they would during peacetime, and freed up American tonnage normally employed for South American trade for the supply of the European powers.⁵⁴ An even more ambitious triangular scheme was proposed to solve South American and West African shortages in coal. Ships no longer needed to move wheat from Australia to the West coast of the U.S. would now be used to carry American oil to Australia, Australian coal to the west coast of South America, and then nitrates from there back up to the United States. To meet West African shortages, American oil would be sent to Durban, coal up to Dakar, and West African mahogany and produce back to the United States.⁵⁵

These organizations provided the Allied war effort with a measure of respite from the shortages that were threatening their economies with collapse. The Central Powers surrendered in November 1918. In the years following the war, the important role of the Allies' hastily constructed system of global supply was gradually forgotten. But in the immediate postwar years, it was the stuff of legend. "When in the months following the Armistice," the American jurist Felix Frankfurter wrote in 1922, "guessing the name of the single individual who, barring Tommy Atkins, did most toward winning the war became one of the favorite, absurdly arrogant

⁵⁴ "Allied Maritime Transport Council: Report of Action April 16th to July 15th 1918," 7. TNA CAB 24/60.

⁵⁵ "Allied Maritime Transport Council: Report of Executive, August 16th to September 15th, 1918," 3. TNA CAB 24/65.

after-dinner amusements in England, there was surprising unanimity among diverse people ‘on the inside’ in suggesting an obscure civil servant Salter.”⁵⁶

III. Planning for the Postwar at the French Ministry of Commerce

Over the last two years of the war, while this complex inter-Allied system of supply was being put into place, officials and policy experts in both France and Britain were busy making plans for the creation of a postwar Anglo-French economic union. Many of these plans called for transforming the inter-Allied organizations into standing peacetime bodies, and were driven by the conviction that the competing wartime blockades of the Entente and the Central Powers represented the opening salvos in a long-term struggle to divide the world into rival blocs. Numerous schemes were hatched in both states for the establishment of a postwar customs union, from which Germany would be excluded, and an international consortium to ration raw materials between the Allies. In Britain, these plans were popular among protectionists in the Conservative Party, who rallied support for their long-standing cause in calls for an all-out trade war with Germany, which would continue long after the military struggle had finished.⁵⁷ They also were popular among certain intellectuals and in the press. While liberal objections to these plans divided official British opinion on the long-term future of Anglo-French economic cooperation, enthusiasm for the establishment of a permanent Allied bloc was common at the highest levels of the French state, shared by Prime Minister Aristide Briand and heavily promoted by Etienne Clémentel and his advisers in the Ministry of Commerce as well as by other ministries charged with postwar planning, such as the Bureau d'études économiques. At a time

⁵⁶ Felix Frankfurter, Review of Arthur Salter, “Allied Shipping Control,” *Harvard Law Review* 35.8 (1922): 975-977, at 975.

⁵⁷ Trentmann, *Free Trade Nation*, 244-250; Robert E. Bunselmeyer, *The Cost of War, 1914-1919: British Economic War Aims and the Origins of Reparation* (Hamden: Archon, 1975), 35-39.

when it was not yet standard practice for European and North American states to employ economists as policy advisers, and certainly not for planning grandiose imperial projects, Clémentel's brain trust included a corps of academically-trained, and geopolitically-minded, economists.⁵⁸

Clémentel, a career socialist politician, had been appointed by Briand to head the Ministry of Commerce in October 1915. A trained lawyer, he had risen quickly from local political posts in Auvergne to the Chamber of Deputies in 1900. For the last three years of the war, he worked with a cadre of advisers drawn from academia, engineering, and the law to remold French economic life to the demands of the war: controlling the import of food and setting its prices, coordinating economic warfare against the Central Powers, and establishing and overseeing industrial consortiums to purchase and distribute raw materials. Clémentel's powers gradually extended to cover most aspects of the French war economy and, by the end of the war, he had singular authority over its functioning as a whole.⁵⁹ As would his counterpart Walter Rathenau in Germany, Clémentel elaborated an influential vision for reforming French capitalism on the basis of the wartime experience, with the French war economy providing a blueprint for how postwar economic life could be reshaped along statist lines. He also led the French charge to coordinate the Allied economic war effort at the international level and designed elaborate plans for reshaping the economic system of the postwar world.⁶⁰

⁵⁸ Peter Jackson, *Beyond the Balance of Power: France and the Politics of National Security in the Era of the First World War* (Cambridge: Cambridge University Press, 2013), 112-122.

⁵⁹ Richard F. Kuisel, *Capitalism and the State in Modern France: Renovation and Economic Management in the Twentieth Century* (Cambridge: Cambridge University Press, 1981), 31-58.

⁶⁰ Charles Maier, *Recasting Bourgeois Europe: Stabilization in France, Germany, and Italy in the Decade after World War I* (Princeton: Princeton University Press, 1975), 74-76; Marc Trachtenberg, "A New Economic Order": Etienne Clémentel and French Economic Diplomacy during the First World War," *French Historical Studies* 10.2 (1977): 315-341, see 320; John F. Godfrey, *Capitalism at War: Industrial Policy and Bureaucracy in France, 1914-1918* (New York: Berg, 1987), 85-105.

While Clémentel's work on these plans is best known in the context of the 1916 Paris Economic Conference and French wartime grand strategy, his efforts to win the Allies over to his vision of a peacetime economic union extended up to 1919 and earned much more attention at high levels of the British state than is often acknowledged. Clémentel hoped to create a long-lasting international system to ration vital raw materials between the Allied states and to keep them out of German hands, and was driven by a widely-shared fear in France that Germany and Austria-Hungary had plans to create a Central European customs union of their own that would form the foundation for a future political federation stretching from Belgium in the northwest through the Ottoman Empire in the southeast.⁶¹ The 1915 work of the German liberal politician and writer Friedrich Naumann, *Mitteleuropa*, had allegedly provided the blueprints for these plans, and was the latest in a series of German works, dating back to the late nineteenth century, that called for the establishment of a self-sufficient Central European political-economic bloc as a counterweight to the hegemonic designs of the "world empires" – Britain, the U.S., and Russia – and as a means of defense for Germany in the case of wartime blockade.⁶² Naumann's *Mitteleuropa*, the best-selling book in Germany after Bismarck's memoirs, caused hysteria among French war planners, who believed, in error, that a November 1915 meeting of the Central Powers in Dresden had been dedicated to plans for the realization of its supposedly hegemonic designs.⁶³ These fears consumed Clémentel's wartime economic strategies and designs for the postwar, and continued to inform French decision-making up through the Paris

⁶¹ Clémentel, *La France et la Politique Économique Interalliée*, 68.

⁶² Friedrich Naumann, *Mitteleuropa* (Berlin: G. Reimer, 1915); Peter Theiner, "'Mitteleuropa': Pläne im Wilhelmischen Deutschland," *Geschichte und Gesellschaft* 10 (1984): 128-148. As Carl Schmitt later pointed out, these turn-of-the-century debates about the possibility of a German-led Central European political-economic bloc as alternative to the Anglo-Saxon-led world order laid the intellectual foundations for the concept of the *Großraum*, which he and others promoted after the First World War and which helped shape Nazi geopolitics. See Schmitt, *Nomos of the Earth*, trans. G.L. Ulmen (New York: Telos Press Publishing, 2006), 234, n.17.

⁶³ David Stevenson, "The First World War and European Integration." *International History Review* 34.4 (2012): 841-863, see 847.

Peace Conference in 1919. In a September 1918 letter to Georges Clemenceau and Woodrow Wilson, Clémentel insisted that Germany's aims to unify Central Europe, from Rotterdam to the Black Sea and Riga to Odessa, were part of its long-term plans to foment conflict between the French and the British, the Europeans and the Americans, and, ultimately, the white race and the Asian in its quest for world domination.⁶⁴

French officials also worried that Germany's pre-war industrial development and growing overseas commercial activity were signs of aggressive expansionist aims. Should the Germans lose the military war, they would still look to seize control of the world's markets: "chief among the causes of this terrible war are the following factors," the economist Henri Hauser, a leading adviser to Clémentel, wrote in 1915, "the desire of German industry to spread over the globe, and the methods it employed to secure dominating positions. Will the same causes, in ten years, in twenty years, produce the same effect — a new war?"⁶⁵ What was needed to prevent this was an organized, globe-spanning system of surveillance and control to keep Germany from gaining access to the raw materials it needed to prolong an economic war after the armistice or to pursue the kind of expansionist designs that had supposedly led to conflict in 1914. In numerous memos for the Ministry of Commerce in the last years of the war, Hauser outlined an ambitious imperial vision for the postwar, detailing how neutral states and colonial territories in Latin America, Africa, and the Far East would be divided up between the powers.⁶⁶ If the Allies could successfully maintain their cooperation after the war, with the Americans on their side, they would be in possession of more than enough of the world's natural resources to

⁶⁴ Clémentel, *La France et la Politique Économique Interalliée*, 340.

⁶⁵ Hauser, *Germany's Commercial Grip on the World: Her Business Methods Explained*, trans. Manfred Emanuel (New York: Charles Scribner's Sons, 1918), 7-8.

⁶⁶ On Hauser's activities during the war, see Georges-Henri Soutou, "Henri Hauser et la Première Guerre mondiale," in Séverine-Atingone Marin and Georges-Henri Soutou, *Henri Hauser (1866-1946): Humaniste, Historien, Républicain* (Paris: Presses de l'Université Paris-Sorbonne, 2006), 147-184; Peter Jackson, *Beyond the Balance of Power*, 116-122.

frighten the Germans into agreeing to a peace on their terms.⁶⁷ Other economic planners, like Fernand Pila, Hauser's counterpart in the Foreign Ministry, linked this vision of postwar Allied raw materials control to French planning for a postwar League of Nations.⁶⁸

After coming into office, Clémentel immediately began pressing Briand to focus long-term French strategy on his and his advisers' designs for a postwar raw materials consortium. Between the French and British Empires and their colonies, Russia, Italy, Belgium, and Japan, Clémentel insisted, the Allies had under their control nearly two-thirds of all of the markets of the world, and a population of 600 million consumers between them. A close economic union of the Allies would allow them to completely close off Germany to this enormous economic zone, thus putting German economic life practically "at their discretion."⁶⁹ In late December 1915, Clémentel proposed to Briand that France host an inter-Allied conference the following year, both to coordinate the economic war against the Central Powers and to win support for this longer-term vision of Allied union. Briand agreed, and invitations for an economic conference in Paris were sent to Britain, Russia, Italy, Belgium, Serbia, and Japan.⁷⁰ Not all invitees were enthusiastic about these long-term plans: British officials, in particular, dragged their feet, as the Liberal cabinet of H.A. Asquith was strongly opposed to plans for anything resembling a future customs union.⁷¹ In February 1916, Clémentel travelled to London to meet with Runciman to secure British attendance at the conference. Eager to show a strong commitment to Britain's ailing ally, Runciman agreed, but only on condition that its proceedings avoid any discussion of the politically explosive topics of postwar tariffs or a customs union.⁷²

⁶⁷ "L'approvisionnement de l'Allemagne en matières premières après la guerre." FNA F/12/7988.

⁶⁸ "Question d'un contrôle international des matières premières." FNA F12 F/12/7988.

⁶⁹ "Note sur un projet d'entente économique entre les puissances alliées." FNA F/12/7985.

⁷⁰ "La Conférence Économique de Paris: Les Négociations." FNA F/12/7988.

⁷¹ Trentmann, *Free Trade Nation*, 246-7.

⁷² Georges-Henri Soutou, *L'Or et le Sang: Les buts de guerre économiques de la Première Guerre mondiale* (Paris: Fayard, 1989), 234-245.

As a handful of scholars have pointed out, the Paris Economic Conference, held from June 14-17, 1916 at the French Ministry of Foreign Affairs, represented a crucial turning point in the Allies' planning for the postwar, and made clear that the economic punishment of Germany was to be a top priority for the French.⁷³ What usually goes unmentioned is the other milestone it represented: it was the first time that senior state officials had debated the possibility of creating a peacetime, globe-spanning economic administration to replace the free play of supply and demand in world markets with a system of control. The 1916 Conference sparked an international debate about the possibility of establishing some kind of postwar economic organization – a global partnership of the Allies with joint management over the world's natural resources. And it set a precedent that would be taken up again at the end of the war, when French and British officials attempted to transform the inter-Allied economic bodies into standing peacetime organizations. The ambition of the conference's organizers – to rewrite the rules of international commerce – was matched only by the drama of the outcome they sought to avoid: the rise of a new Central European land empire.⁷⁴

While the 1916 Paris Economic Conference focused on the immediate tasks of coordinating the Allies' economic blockade of the Central Powers, and planning for a common Allied program of postwar reconstruction for Belgium and France, Clémentel's major aim was to reach an agreement on the creation of a special postwar arrangement that would require each Ally to give the others privileged access to its natural resources at fixed prices. This was intended to help facilitate the reconstruction of devastated states, like France and Belgium, while

⁷³ The best accounts of the 1916 Conference are in Marc Trachtenberg, *Reparation in World Politics: France and European Economic Diplomacy, 1916-1923* (New York: Columbia University Press, 1980), 1-27; Soutou, *L'Or et le Sang*, 233-271. See also D. Stevenson, *French War Aims Against Germany 1914-1919* (Oxford: Clarendon Press, 1983), 33-34, 84-85; Jackson, *Beyond the Balance of Power*, 112-122, 172-178, 247-256.

⁷⁴ Soutou, *L'Or et le Sang*, 271.

limiting Germany's access to the raw materials it would need to recapture its prewar strength. At the 1916 Conference, Clémentel argued for the importance of this postwar scheme in grandiose terms: "Possessing nearly all the raw materials in abundance, and colonies and "dominions" that are rich and immense, enjoying an incontestable superiority both in population and in financial power, the Allies will be self-sufficient on their own, even if the rest of the world disappears." While a worldwide raw materials consortium was, of course, never established, Clémentel's proposals were ratified unanimously in July 1916. Most forget that the Allies agreed, in the middle of the war, to institutionalize a system of semi-permanent economic blockade against Central Europe. The other long-term aims of the conference focused, similarly, on measures to pry the Allies loose from any postwar economic dependence on the Central Powers – whether in raw materials, finance, or trade. No mention was made of the Allied customs union that Clémentel had hoped for, and the long-term resolutions were mostly hortatory and vague. But they represented a powerful expression of Clémentel's desire to refashion the international economic order in ways that weakened postwar Germany and kept it from pursuing its supposedly expansionist designs.⁷⁵

The Paris Economic Conference itself resulted in few concrete changes. Only the French and British governments ratified its resolutions. Italy and Russia, too dependent on Central European markets to forego them completely, refused to. Without a binding agreement, the conference resulted in little more than a series of dramatic recommendations.⁷⁶ This itself was enough to kick up a firestorm in Britain, as the Liberal Party divided over Asquith's apparent abandonment of laissez-faire orthodoxy, which breathed new life into popular campaigns for free

⁷⁵ "Conférence Économique des Gouvernements Alliés tenue à Paris." FNA F/12/8104; Soutou, *L'Or et le Sang*, 233-271.

⁷⁶ Soutou, *L'Or et le Sang*, 261-271.

trade.⁷⁷ The conference also caused considerable alarm among leading business figures and politicians in the U.S., some of whom worried that Clémentel's plans were designed as much to restrict America's postwar global economic power as that of Germany.⁷⁸ These plans were also largely greeted with apprehension or outright hostility in Russia and Japan.⁷⁹ But for the French, the Paris Economic Conference demonstrated just how ambitious their long-term aims for the postwar were: not only were they looking for a punitive peace for Germany, but also for an entirely new international institution and set of rules to mitigate their weakened position in a transformed global order – rules that were at odds with those of the liberal prewar world.

Despite the controversy that the 1916 Paris Resolutions generated, British officials continued to debate how they could implement some version of them.⁸⁰ These debates set into motion some of the earliest British planning for postwar reconstruction.⁸¹ Shortly after the July conference, Asquith formed a committee charged with planning British postwar commercial and industrial policy along the lines agreed on in Paris. In its final report, the Committee, made up largely of members of the Board of Trade, called for extending and expanding export controls into the future as well as exploring the feasibility of establishing a “joint organization,” modeled on the Commission Internationale de Ravitaillement, to organize and centralize both public and private orders of raw materials needed for reconstruction. Unpopular wartime controls could not be kept in place forever, but some kind of international system of control over raw materials was needed for a while. The empire did have at its disposal the resources of its vast overseas

⁷⁷ Trentmann, *Free Trade Nation*, 249-254.

⁷⁸ On this point, see Carl P. Parinni, *Heir to Empire: United States Economic Diplomacy, 1916-1923* (Pittsburgh: University of Pittsburg Press, 1969), 15-39.

⁷⁹ “La conférence économique et l’opinion étrangère.” FNA F/12/7988.

⁸⁰ Orde, *British Policy and European Reconstruction After the First World War*, 11-12

⁸¹ Peter Cline, 'Winding Down the War Economy: British Plans for Peacetime Recovery, 1916-19', in Kathleen Burk, ed. *War and the State: The Transformation of British Government, 1914-1919* (London: Routledge, 1982), 157-181, at 165.

territories, and the committee outlined a strategy of industrial development for those territories in order to expand the production of the raw materials needed for postwar reconstruction.

Coordination on the ground had begun: reports had just been received that a program for the “Economic Development of the Anglo-Egyptian Soudan” was underway.⁸²

Clémentel continued to work to win over Britain, and then the U.S., to his more ambitious vision for the postwar. In an August 1917 meeting at the British Foreign Office with Robert Cecil, Joseph Maclay, and Albert Stanley, now president of the Board of Trade, Clémentel and Monnet offered a new sketch for a postwar organization modeled on the recently created Wheat Executive.⁸³ Like the Wheat Executive, its work would involve the careful tabulation of the quantities of vital natural resources and their geographical distribution across the earth.⁸⁴ Merely demonstrating that most of the world’s resources were found in areas under Allied control, Clémentel insisted, would have a powerful demoralizing effect on the Germans. After the war, neutral states would be allowed to join this revamped international organization in a position of inferiority to the Allies. Since they did not suffer the costs and devastations of the Allies, they could not expect to enjoy abundance should the world face shortages in raw materials or food.⁸⁵

But British officials refused to express any strong commitment to Clémentel’s plans. Some, like Cecil, a Conservative politician who had become an influential Foreign Office official and then Minister of Blockade, feared Clémentel was simply attempting to give the

⁸² “Final Report of the Committee on Commercial and Industrial Policy After the War.” TNA CAB 24/34/91. See also Elisabeth Glaser, “The Making of the Economic Peace,” in Manfred Boemeke, Gerald D. Feldman, and Elisabeth Glaser, eds., *The Treaty of Versailles: A Reassessment After 75 Years* (Cambridge: Cambridge University Press, 2006), 371-399, at 374-375.

⁸³ “Exposé fait par M. Clémentel au Foreign Office. 16 août 1917.” FNA F/12/7819.

⁸⁴ One American economist later referred to this as France’s attempt to create a “world inventory.” Elisha M. Friedman, *International Commerce and Reconstruction* (New York: E.P. Dutton & Company, 1920), 51.

⁸⁵ “Mémorandum remise par M. Clémentel à Sir Albert Stanley.” FNA F/12/7819.

French access to goods under British control on favorable terms, though he strongly agreed with the idea of creating of some kind of “economic weapon” that could be used to keep the peace after the war. Others designed plans similar to Clémentel’s to restrain postwar German ambitions. One such plan called for giving Germany six months after the war to agree to the Allies’ peace terms, after which point it would be denied access to the raw materials controlled by Britain for twenty years. Since they only exercised equivalent control over potash, the Germans would have no recourse to counterattack, though German plans to form an “economic combine” in the Balkans might give it better access to mineral oils.⁸⁶ Outside the government, numerous plans were hatched in Britain for a future League of Nations, made up of the Allies and a few neutrals, which would take control of the world’s raw materials and the routes they were transported on to permanently reduce Germany to a subordinate position. “The use to which this overwhelming economic power was put,” as William Robert Scott, the Adam Smith Professor of Political Economy at the University of Glasgow, put it, “would determine the reputation which the League would win for itself.”⁸⁷

The crucial challenge for Clémentel was winning over American officials to his plans. Without U.S. participation, it was difficult to see how the system would work. But with the U.S., Allied control of the world’s resources would be incontestable. Once the U.S. joined the economic union, Clémentel suggested to British officials, Latin America would inevitably join as well, since the U.S. already effectively exercised economic control over its southern neighbors.⁸⁸

With the entirety of the Western Hemisphere, along with the French and British colonial

⁸⁶ “Minutes of a Meeting of the War Cabinet. Monday, August 20, 1917, at 3:30 P.M.” TNA CAB/23/3/68.

⁸⁷ William Robert Scott, *Economic Problems of Peace After War* (Cambridge: Cambridge University, 1918), 33

⁸⁸ Some members of the Wilson Administration, by contrast, such as Secretary of State Robert Lansing, pushed in 1918 for the formation of a financial union with Latin America as counterpoint to European plans for postwar regional blocs. On this point, see Michael Hogan, “The United States and the Problem of International Economic Control: American Attitudes toward European Reconstruction, 1918-1920,” *Pacific Historical Review* 44.1 (1975): 84-103, at 88.

possessions, German resistance to the new order could be met with the threat of total economic collapse and starvation. “There is no agriculture without phosphates,” Clémentel remarked to British officials in October 1917,

now we have all the phosphates to be found, whether in Algeria or in the United States. We have the sulfur of Texas and Italy and, without sulfur, viticulture is not possible today. The entry of the United States brings in its economic wake the two Americas, and if we arrive at an accord on raw materials, nearly all of the Americas will be materially obliged to join this combination.⁸⁹

Clémentel wrote directly to Wilson that month with a list of major raw materials under Allied control. He suggested that taking direct control of ten to twelve of these would be sufficient to cause “industrial paralysis” in Germany. Fearing this, the German population would insist that the state and its “military caste” accept the Allied terms of peace and lay down their arms.⁹⁰

While Wilson rejected Clémentel’s proposals, and worked to disassociate his administration from anything that resembled a standing economic organization, Clémentel was undeterred.⁹¹ The terms of the peace, he insisted in a letter to Clemenceau, would not only need to demand reparations from Germany, but would also need to find long-term solutions to the challenge of the worldwide shortage of essential raw materials, a challenge that was particularly daunting for France and Belgium, which had been occupied and looted during the war.

Removing wartime controls on raw materials and food, and returning immediately to the free play of the laws of supply and demand, would lead to a dramatic rise in the price of these goods and, in turn, to economic chaos and social unrest. What was needed to manage these controls was a new administration, which Clémentel referred to as a “world economic organization” and an “Atlantic Economic Union,” which would force the Germans to join an international

⁸⁹ “Réunion avec Sir Joseph Maclay, Shipping Controller, tenue a l’Hôtel Ritz le 20 octobre 1917 à midi.” FNA F/12/7819.

⁹⁰ “Lettre de M. Clémentel au Président Wilson. 6 octobre 1917.” FNA F/12/7819.

⁹¹ “Le Ministre du commerce à Monsieur Serruys. 16 août 1918.” FNA F/12/7819.

community of peace-loving states.⁹² The Resolutions of the Paris Conference of 1916 were to be revived, expanded, and adapted to the demands of the Armistice and to an entirely new vision of perpetual peace – one maintained by the liberal powers’ total, technical mastery over the resources of the entire earth.

IV. British and American Views of the Postwar

Clémentel was not the only leading member of the inter-Allied organizations who looked to convert these bodies into a form of peacetime international administration at the end of the war. Many hoped that they could be used to take charge of postwar reconstruction and relief, since they seemed uniquely well placed to prevent the severe economic dislocations that loomed. By restocking and feeding postwar Europe, the wartime organizations could mitigate Europe’s weakened position until normal market conditions could be reestablished. Some imagined the inter-Allied bodies might even be transformed into permanent international institutions. As members of the AMTC fleshed out various plans along these lines in October and November 1918, senior British officials looked for ways of extending Allied control over raw materials into the armistice period in order to prevent the destabilizing fluctuations in their prices that would occur if market conditions were reestablished too quickly.⁹³ Many also shared Clémentel’s fears that Germany would continue an economic war against the Allies after the peace treaty had been signed. Several British studies from the last months of the war assessed this threat based on analysis of contemporary German economic ideology. One foreign office memorandum described the two major “schools of thought” in Germany about the economic aims of the war – the “Eastern” and the “Western,” or the “Continental” and the “Oceanic.” The former view, held

⁹² Clémentel to Clemenceau, undated. FNA F12/8106.

⁹³ FRUS, 1918: Supplement I, 612-614.

by agrarian and industrial interests, called for the extension of Germany's economic dominance throughout territories in the "Old World" – the *Mitteleuropa* option. The latter view, backed by Germany's commercial and manufacturing interests, called instead for the strengthening of Germany's overseas connections. The "watchword" of this school was "Weltwirtschaft" or "World Economy," a term that was not yet in common use in English or French.⁹⁴

The partisans of the "Weltwirtschaft" view drew from a particular German nineteenth-century tradition of economic liberalism, and had achieved a position of influence in the Kiel Institut für Seeverkehr und Weltwirtschaft (IfW), founded in 1914 by the economist Bernhard Harms.⁹⁵ A 1918 study on Germany's long-term economic plans by the French Ministry of Commerce made similar arguments: despite the fact that they were liberals, the Weltwirtschaft school could not be trusted. The German doctrine of *Weltwirtschaft* offered nothing less than a blueprint for Germany's postwar recapture and domination of world commerce.⁹⁶ Even the notion itself of a *Weltwirtschaft*, or "world economy," seemed too close to that other dreaded German term, *Weltpolitik*, used to designate Germany's global expansionist aims. German partisans of free, ocean-going commerce, while differing in their aims from those looking for a closed-off Central European bloc, were just as threatening. Hauser, in fact, thought it was liberals like Lujo Brentano and Max Weber who would pose the greatest risk to the plans of the Ministry of Commerce at the Peace Conference, since they would offer powerful propaganda for a soft peace for Germany in terms that the Anglo-Saxons powers and French left would not find so threatening.⁹⁷

⁹⁴ On the German origins of the term, see Quinn Slobodian, "How to See the World Economy," 308.

⁹⁵ On the institute, see Harald Czycholl, *100 Jahre Institut für Weltwirtschaft: vom Königlichen Institut zum globalen Forschungszentrum* (Neumünster : Wachholtz, 2014); Sebastian Conrad, *Globalisation and the Nation in Imperial Germany*, trans. Sorch O'Hagan (Cambridge: Cambridge University Press, 2010), 42.

⁹⁶ "Introduction à l'Étude de la Conception Allemande de la Paix Économique." FNA F/12/8106.

⁹⁷ "Ce que sera la tactique allemande à la Conférence de la paix en matière économique." FNA F/12/8106.

Around the time of the Armistice, many French and British officials agreed that some form of the Paris Resolutions of 1916 needed to be revived and expanded for the postwar period.⁹⁸ A strong statement of Allied principles for the postwar economic order, along the lines that Clémentel had proposed to Wilson in his letter from the year before, would have a powerful demoralizing effect. No grandiose promises of military conquest by Germany's top command would be able to compete with the reality of an Allied "economic organisation already constructed," as a British foreign office memo put it in 1918, "embracing all the continents outside Central Europe."⁹⁹ In August 1918, Cecil presented plans for the creation of a "Great Inter-allied Economic Council," which won the support of the French.¹⁰⁰ Cecil was instrumental in designing British policy for the League of Nations, and his schemes for the organization had long included the "economic weapon" as one of its most important tools for maintaining peace.¹⁰¹ Some of his colleagues shared this view. Maurice Hankey, Secretary of Lloyd George's War Cabinet, had sketched plans earlier that year for a League of Nations built on the inter-Allied bodies. By controlling trans-oceanic supplies and shipping, this organization would force the enemy to agree to Allied terms "if he wished to have access to the outer markets of the world."¹⁰² Others schemes called for the creation of an Anglo-American consortium to pool shipping and raw materials, and to focus on the development of poorer regions of the world. Another suggested merging the AMTC into a General Economic Council.¹⁰³ Others, like

⁹⁸ On the work of Clémentel and his advisers during the armistice period, see also Jackson, *Beyond the Balance of Power*, 247-256.

⁹⁹ Untitled Memorandum, 1 August 1918. Zimmern Papers. MS 79.

¹⁰⁰ "Relations of the Supreme Economic Council with the League of Nations and the Reparations Commission." TNA T 1/12311.

¹⁰¹ Peter J. Yearwood, *Guarantee of Peace: The League of Nations in British Policy 1914-1925* (Oxford: Oxford University Press, 2009), 51-67; Gaynor Johnson, *Lord Robert Cecil: Politician and Internationalist* (Farnham: Asghate, 2013), 75-97.

¹⁰² M.P.A. Hankey, "The League of Nations. Observations by the Secretary." TNA CAB 24/39/44.

¹⁰³ Hogan, "The United States and the Problem of International Economic Control," 93.

Zimmern, called for repurposing the inter-Allied machinery for postwar relief functions on a world-wide scale.¹⁰⁴

Clémentel and other French and British officials propositioned Herbert Hoover, who had spent the war organizing humanitarian relief for Belgium and heading the U.S. Food Administration, and who was put in charge of the American Relief Administration in 1919, to leave his post and join their proposed international economic institution as its director. He was offered the opportunity to “control the economic world,” Hoover later recalled, and to be made the “the economic Foch of the world” – the economic counterpart, in other words, to the generalissimo with joint command over the Allied military forces.¹⁰⁵ But Hoover objected to the British and French schemes, and emphasized that the Wilson Administration would resist any efforts to continue wartime controls and institutions into the peace. At the time of the armistice, there had been some enthusiasm among American inter-Allied bureaucrats for the peacetime use of these organizations, though they were realistic about the opposition to these plans.¹⁰⁶ Hoover led the charge against their continued existence. Now that the war had ended, he insisted, no other state could have any say over how U.S. policies were crafted, and no alternative could be considered to the immediate return to complete economic sovereignty. The American government would not “agree to any programme that even looks like inter-Allied control of our economic resources after peace,” Hoover wrote in November 1918. Not only would these schemes impinge on American sovereignty, and entangle the U.S. in uncomfortable overseas commitments, but they would weaken the postwar economic position of American business.

¹⁰⁴ Alfred Zimmern, *Nationality and Government and Other War-time Essays* (London: Chatto & Windus, 1918), 278-298.

¹⁰⁵ Hoover, *The Memoirs of Herbert Hoover: Years of Adventure, 1874-1920* (New York: The Macmillan Company, 1951), 290.

¹⁰⁶ Walter S. Tower to Edwin Gay. November 19, 1918. Edwin Gay Papers. Box 2. HIA.

“After peace over one-half of the whole export food supplies of the world will come from the United States,” Hoover insisted, “and for the buyers of these supplies to sit in majority in dictation to us as to prices and distribution is wholly inconceivable.”¹⁰⁷

While it was obvious that the U.S. would take charge of whatever postwar programs of relief were instituted, the European Allies refused to cede the initiative completely to the Americans, who they worried would demand an immediate return to conditions of international trade and exchange. Premature dismantling of wartime controls, it was feared, would torpedo Europe’s chances at a timely economic recovery. But the Americans dragged their feet. In a cable to Wilson from November 1918, Hoover remarked that the idea even of joint Allied purchases of wheat “fills me with complete horror.”¹⁰⁸ For Wilsonians, and those committed to the Open Door, the ideas of the 1916 Paris Economic Conference were terrifying. Imperial competition for exclusive access to markets and raw materials was the one of the first things to be abolished in the new world order.¹⁰⁹

The economic problems of postwar planning were not wholly absent from the American agenda, but they did not feature centrally. When official planning for the peace began in the U.S. in September 1917 with the establishment of the so-called “Inquiry,” a group of around 150 academics dedicated to the study of the international aspects of a settlement, the Harvard statistician Allyn A. Young worked on economic topics in relative isolation.¹¹⁰ Economic advisers, like Young and the Harvard economist Frank Taussig, were included in the American

¹⁰⁷ FRUS, 1918: Supplement 1, 616-617. Of particular concern to Hoover was guaranteeing the postwar position of U.S. hog farmers.

¹⁰⁸ Hoover to Wilson, 11 November, 1918, in Suda Bane and Ralph Lutz, eds., *The Blockade of Germany After the Armistice: Selected Documents of the Supreme Economic Council, Superior Blockade Council, American Relief Administration, and Other Wartime Organizations* (Palo Alto: Stanford University Press, 1942), 11.

¹⁰⁹ Hogan, “The United States and the Problem of International Economic Control,” 84.

¹¹⁰ Lawrence E. Gelfand, *The Inquiry: American Preparations for Peace, 1917-1919* (New Haven: Yale University Press, 1963); Eric Rauchway, *The Money Makers: How Roosevelt and Keynes Ended the Depression, Defeated Fascism, and Secured a Prosperous Peace* (New York: Basic Books, 2015), 6-8.

delegation to the Peace Conference, for which Edwin Gay's Central Bureau of Planning and Statistics was also put to service. But the Delegation included no representatives of the U.S. Treasury and, as a whole, economists had done little to shape the U.S. war effort. The economist and Dean of the Harvard Business School Edwin Gay, head of the Division of Planning and Statistics at the U.S. Shipping Board, held singular influence.¹¹¹ Wilson himself famously cared little for the details of the economic problems of the peace, though his Administration did encourage the efforts of private American business and Wall Street to work throughout the war and during its aftermath to seek out foreign markets for American goods and capital, drawing on methods that had been tested out in America's late nineteenth-century economic penetration of China.¹¹² In the run-up to the peace conference, the U.S. Treasury and powerful private bankers, like Thomas Lamont, lobbied Wilson to make arrangements at the peace conference to extend credits to a devastated Europe. These included calls, most famously by the American banker and former Treasury official Frank Vanderlip, for the creation of an international consortium to make reconstruction loans, based on a similar institution established in China in 1910.¹¹³ But the Wilson Administration was committed to the idea that no formal institution would be created to manage the long-term economic aspects of the peace – a decision that was criticized for decades to come.¹¹⁴

V. The Supreme Economic Council and Economic War During the Peace

¹¹¹ Robert William Fogel, Enid M. Fogel, Mark Guglielmo, and Nathaniel Grotte, *Political Arithmetic: Simon Kuznets and the Empirical Tradition in Economics* (Chicago: University of Chicago Press, 2013), 35.

¹¹² Burton I. Kaufman, "The Organizational Dimension of United States Economic Foreign Policy, 1900-1920," *Business History Review* 46.1 (1972): 17-44, at 37-44; Harry N. Scheiber, "War War I as Entrepreneurial Opportunity: Willard Straight and the American International Corporation," *Political Science Quarterly* 84.3 (1969): 486-511.

¹¹³ Paul Abrahams, "American Bankers and the Economic Tactics of Peace: 1919," *The Journal of American History* 56.3 (1969): 572-583.

¹¹⁴ Hogan, "The United States and the Problem of International Economic Control," 103.

In early 1919, after persistent lobbying, American officials made partial steps in the direction of European plans for postwar inter-Allied cooperation. In January, Wilson agreed to establish a joint Allied body for European relief, the Allied Supreme Council of Supply and Relief, to coordinate the supply of food, transport, and finance for the purposes of humanitarian aid.¹¹⁵ While it included representatives from each Allied state, including Clémentel, the organization was controlled by the U.S., with Hoover standing at its head and largely dictating its actions.¹¹⁶ The Americans, particularly Hoover, sought to have exclusive control over European relief during the period of the armistice.¹¹⁷ In February 1919, Hoover and Wilson called for the creation of an umbrella organization, the Supreme Economic Council (SEC), to have comprehensive control over the economic aspects of reconstruction and relief: food supply and raw materials, finance, the blockade, communications, and shipping. The SEC absorbed both the Supreme Council of Supply and Relief and the wartime inter-Allied bodies. Its shipping section, for example, was formed on the basis of the AMTC. It was staffed by civilian experts and up to five representatives of each member state: Britain, the U.S., France, Italy, and Belgium. Its work was dominated by four officials: Hoover, Crespi, Cecil, and Clémentel, who was also made president of the Economic Commission charged with drafting the economic provisions of the Treaty of Versailles. Salter and Monnet also stayed on as members.¹¹⁸

Like the AMTC, the SEC is seldom treated at length in standard accounts of the postwar settlement. As such, its novelty and the aims that many imagined for it are generally overlooked. It was the world's first peacetime organization, staffed by technical agents and economic experts,

¹¹⁵ Bane and Lutz, *The Blockade of Germany After the Armistice*, 26-27.

¹¹⁶ Seth P. Tillman, *Anglo-American Relations at the Paris Peace Conference of 1919* (Princeton: Princeton University Press, 1961), 260.

¹¹⁷ Kendrick A. Clements, *The Life of Herbert Hoover: Imperfect Visionary, 1918-1928* (New York: Palgrave Macmillan, 2010), 4-5; Tillman, *Anglo-American Relations at the Paris Peace Conference*, 262-263.

¹¹⁸ F.S. Marston, *The Peace Conference of 1919: Organization and Procedure* (London: Oxford University Press, 1944), 105.

with control over the international supply of food and raw materials.¹¹⁹ And it came to be charged with a new task: preventing Europe from succumbing to revolution from the left. Hysteria about the Soviet threat shaped debate at the Paris Peace Conference and helped to determine the final shape of the postwar settlement.¹²⁰ The inter-Allied organizations, and then the SEC, were to be enlisted and repurposed for this counterrevolution. Constant reference to the supposed Bolshevik threat provided a justification for continuing the wartime controls and inter-Allied organizations into the peace. As the fighting came to an end, the threat of social unrest across Europe became an obsession of the inter-Allied bureaucrats. They insisted that it was inevitable given the scale of economic dislocation.¹²¹ Not only did the European Allies need easy access to raw materials, food, and credit to smooth their transition back to peacetime economic conditions, but so did the neutral states, the enemies, and the “liberated” countries of Central and Eastern Europe, many of which no longer had functioning governments. As one British member of the Wheat Executive wrote in November 1918:

we may have to feed the whole of Central Europe and we may find, not only in hostile territories like Germany, but in friendly territories like Lithuania and Croatia, that no settled government will exist by the time that the supplies arrive. In that case, the whole supply problem will take on the broadest political character. Food will be the only basis on which government can be created. Food will be government.¹²²

The inter-Allied system had to be scaled up immediately to prevent Europe from succumbing to starvation and the political chaos to which this would lead.

To prevent this chaos, members of the inter-Allied bodies began working as early as October and November 1918 on schemes to prolong the wartime controls and to create some

¹¹⁹ Accounts that do mention it tend to do so in passing in reference to the larger failures of postwar economic stabilization. See, for example, Margaret MacMillan, *Paris 1919: Six Months That Changed the World* (New York: Random House, 2001), 60-62.

¹²⁰ For a classic, though controversial, argument along these lines, see Arno Mayer, *Politics and Diplomacy of Peacemaking: Containment and Counterrevolution at Versailles, 1918-1919* (New York: Alfred A. Knopf, 1967).

¹²¹ See, for example, “Note pour M. Clémentel.” 30 octobre 1918. Monnet Papers. AMB 1/1/47. JMF.

¹²² J.F. Beale, “Memorandum of Allied Policy.” Monnet Papers. AMB 1/1/84. JMF.

new kind of international administration. One unsigned AMTC memorandum from late October 1918 called for the transformation of the body into a “General Economic Council” that would have broad powers of control over shipping, finance, and supply for at least one year after the peace had been signed. For certain functions, it would operate even longer. This General Council would maintain control over the international allocation of raw materials and foodstuffs, and provide financial assistance to states that could not afford their reconstruction. It was to prepare the world for the gradual return to normal conditions of international trade and exchange. But wartime controls could not be lifted immediately: doing so, it was feared, would lead to serious economic dislocations, as prices shot up and markets struggled to adjust to the dramatic transformations wrought by four years of war. This would raise the specter of a “recrudescence of Bolshevism” just as the Peace Conference was getting underway. After the end of the immediate postwar period, this General Economic Council might also expand its functions as called for by popular mandate, and include additional states as members, even former enemies. Its work would ultimately become “coterminous” with that of the League of Nations, though it would operate more hierarchically, with its principal members – Britain, the U.S., France, and Italy – representing, by themselves, “the interests of the world at large.”¹²³

Between the creation of the SEC in the spring of 1919 and its dissolution in 1920, its principal task was emergency relief. Preventing the spread of Bolshevism to states where it was not yet present meant feeding those most susceptible to its appeal. It was also seen as necessary to prevent social unrest from spreading across Europe by extending the system of wartime blockade to states Lenin’s Russia and Béla Kun’s Hungary. Care had to be taken not to formally declare a blockade against Hungary and Russia, though, as this would be taken as an act of

¹²³ *Allied Maritime Transport Council, Part 2*, 1-15.

war.¹²⁴ Towards this end, the kind of technical administrative and intelligence functions that had made possible the supply of civilian populations during the war had to be expanded to cover the weak and unstable states, mostly to the east, which seemed at greatest risk of famine and unrest. For this task, the SEC drew data from as many sources as possible – commercial gazettes, government reports, and organizations like the International Institute of Agriculture in Rome – to produce a totalizing statistical picture of the economic health of a handful of states, including Poland, Romania, Hungary, Greece, Finland, Bulgaria, and the Kingdom of the Serbs, Croats, and Slovenes. Estimates were calculated of the levels and countries of origin of their imports in everything from food, animals, and raw materials to paper, objects of art, toys, clocks, and watches. This was also done for their exports and for the amount of minerals and petroleum they mined, the amount of timber they felled, and the quintaux of grain, sugar, and vegetables they produced. A census was compiled for every available head of livestock: pigs, horses, sheep, and cattle.¹²⁵

The primary focus of the SEC was on revictualling Germany, a task to which the Allies were obligated not only “on the grounds of humanity,” but also for practical reasons: the prospect of revolution seemed greater nowhere else.¹²⁶ Clémentel and Loucheur continued to demand that reparations take precedence over addressing the threat of revolution. But this remained the obsession of the non-French members of the SEC,¹²⁷ who quoted approvingly the official opinion of the Red Cross on the situation in Germany: the “approach of starvation,” they reported, “must result in Bolshevism.”¹²⁸ In February, a group of British military officials

¹²⁴ Memorandum from Vance McCormick regarding blockade of Hungary and Bolshevik Russia.” 31 May 1919. Bernard M. Baruch Papers. Box 385. Princeton University Archives (hereafter, PUA).

¹²⁵ “Economic Condition of the World after the War. Memo. by Supreme Economic Council.” Archives of the League of Nations (hereafter, LON). Geneva, Switzerland. LON R356.

¹²⁶ FRUS, The Paris Peace Conference (hereafter, PPC), Vol. 10, 55.

¹²⁷ Ibid., 166.

¹²⁸ Ibid., 17

returned from a tour of major German cities to report to the SEC on the food crisis. The demobilization of wartime industries, combined with crippling shortages in raw materials, were causing mass unemployment, while scarcity was causing the costs of living to soar. New and undocumented diseases of malnutrition had appeared. The “chief predisposing causes” for a revolution were in place: “either famine or Bolshevism, probably both, will ensue before the next harvest, if help outside is not forthcoming.” But this help could not be offered unconditionally, since the threat of starvation provided useful leverage over the Germans during the peace negotiations.¹²⁹

Finding a solution to Germany’s humanitarian crisis became the primary focus of the SEC during the few months of its existence. But this task proved too political for the organization to perform effectively. Little agreement could be reached on the lifting of the blockade, the handover of the German fleet for Allied use, and the financing of relief for the defeated enemies.¹³⁰ What the frequent meetings of the SEC and the hysteria around the supposed Bolshevik threat did provide was a stage on which its delegates could compete over levels of relief for the countries they represented. The specter of a red Europe was conjured to argue for nearly any particular course of action. As a group of Italian officials insisted in February 1919, for example, their government was at risk of being overthrown by disgruntled soldiers returning home to find their rations even more meager than what they had enjoyed at the front.¹³¹ Through its collection and publication of data, the SEC was also seen as providing a

¹²⁹ Ibid., 19-22.

¹³⁰ Oscar Penn Fitzgerald, “The Supreme Economic Council and Germany: A Study of Inter-Allied Cooperation After World War I.” Unpublished PhD thesis, Georgetown University, 1971; C. Paul Vincent, *The Politics of Hunger: The Allied Blockade of Germany* (Athens: Ohio University Press, 1985), 77-123; Tillman, *Anglo-American Relations at the Paris Peace Conference*, 260-279.

¹³¹ FRUS PPC, Vol. 10, 12.

way of drawing the attention of the “controlling classes” in the U.S. to the European plight, and thus a possible means of winning long-term American support for Europe’s reconstruction.¹³²

But the Americans prevented the SEC from taking on the larger roles in postwar economic and financial reconstruction that many of its European members had hoped it would, even though by 1919 it had become obvious the demands of postwar relief could not be addressed without more ambitious and long-term arrangements. As countries in Eastern and Central Europe, including Germany and Austria, faced the prospect of starvation, the lines of transportation linking them to the rest of Europe lay in ruins. The creation of new states from the corpses of the old empires had thrown up borders and barriers along routes of exchange that had been open for centuries. Financial systems across the continent were in disarray, with currencies heavily depreciated due to wartime printing.¹³³ Inflation was on the march nearly everywhere. Raw materials for reconstruction were in short supply, and capital had virtually disappeared, leaving little hope for a restart of production. Wartime industries that had kept populations employed were shutting their doors. From the point of view of the members of the SEC, Europe looked ripe for collapse. “There are throughout the European countries large and increasing bodies of idle men and women, many of them are suffering considerable hardships; some are threatened with imminent starvation,” Cecil wrote in a government memorandum from March 1919. “Of such material are revolutions made, and if further revolutions take place anarchy and complete economic destruction must almost inevitably ensue.”¹³⁴

¹³² “Memorandum.” Undated. TNA T 1/12438

¹³³ For contemporary overviews of postwar economic conditions in Europe, see H.W.V. Temperley, ed. *A History of the Paris Peace Conference, Volume I* (London: Institute of International Affairs, 1920), 291-294; FRUS PPC, Vol. 10, 110-13.

¹³⁴ “The Economic Situation in Europe.” Memorandum by Lord Robert Cecil. TNA FO 608/170.

This was not just a problem for Central and Eastern Europe. As E.F. Wise, a British delegate to the SEC and former member of the AMTC, wrote to the Food Controller William Beveridge in June 1919, “I do not see what possible line could be taken by the British government either in defending its own people or in defending the Allied Governments or people the abandonment of international co-operation in controlling food stuffs at the moment when every country in Europe is in a state of acute apprehension as to the results on public order of the high cost of living.” Wise continued:

I would remind you in the last week riots and strikes have taken place in Italy and France with this as the main excuse, that the strikes in Canada are alleged also to be largely due to this cause, and that even in the United States where growing industrial unrest is being found the [cost] of living is alleged to be the main cause. Rightly or wrongly British public opinion believed that international co-operation in purchasing was the main instrument for controlling prices during the war, and it would be extremely difficult to justify its abandonment on the initiation of the British Government.¹³⁵

The initiative could not be lost to the protesters. “Labour criticism of the League of Nations,” Wise pointed out in another memo from that month, “is based on the suspicion that it is an instrument by which Governments may defend the interests of capital and commerce against the insistent demands of new democratic opinion.”¹³⁶ Abandoning international cooperation on food matters, he insisted, would be taken as proof these critics on the left were correct to think of the League as little more than a stooge of capital.

In April 1919, Cecil submitted a resolution to the SEC calling on it to take broad measures to jumpstart industrial production across Europe and to restructure the continent’s hobbled financial systems. Depreciating currencies needed to be stabilized, raw materials and industrial machinery provided, and lines of transportation rebuilt. Most importantly, Europe had to be resupplied with capital. Without it, there was no chance private economic activity could

¹³⁵ E.F. Wise to William Beveridge. June 19, 1919. LON R356.

¹³⁶ “Notes on Draft Memorandum entitled ‘International Food Control’ by EF Wise.” LON R356.

pick up. Economic controls had to be kept in place to prevent a return to the market from causing serious damage. But American officials continued to block these initiatives. In a diary he kept during the Paris Conference, Cecil described the growing tensions between European and American officials in Paris. The “panacea” of Wilson’s leading economic adviser Bernard Baruch, he wrote, was “to sweep away all government control and direction, and encourage private individuals to work out their own salvation; for which there may be a great deal to be said, but I doubt any Continental government accepting it.”¹³⁷ In June, Lloyd George proposed a resolution to the Council of Four insisting that some form of international cooperation in economic matters be continued until the League of Nations was operational and could take over responsibility for stabilizing international conditions. Plans were drawn up by Cecil for the creation of an “International Economic Council” that would eventually become, or be joined up to, the economic wing of the League.¹³⁸ This International Economic Council would advise governments on economic policy, and would staff senior economic ministers from the United States, Britain, France, Italy, and Belgium, and from four other states later to be determined.¹³⁹ It was to be the world’s first truly international, and not just inter-Allied, economic organization,¹⁴⁰ and its first meeting would be held in Washington, D.C.¹⁴¹

These plans were approved by each national government except the U.S.¹⁴² American officials insisted that such an organization would look too much like an extension of a wartime coalition of the Allies into the peace, and would thus weaken plans for a truly international

¹³⁷ Cecil of Chelwood Papers, MS 51131. British Library (hereafter, BL). London, United Kingdom.

¹³⁸ “Note on the Future of the Supreme Economic Council.” TNA CAB 24/93/36.

¹³⁹ “Proposed Organisation for Carrying Into Effect International Consultation in Economic Matters Pending the Formation of the League of Nations.” TNA FO 608/76

¹⁴⁰ “Relations of the Supreme Economic Council to the League of Nations and the Reparation Commission.” TNA T 1/12311

¹⁴¹ FRUS PPC, Vol. 10, 499.

¹⁴² *Ibid.*, 414-418.

postwar League of Nations.¹⁴³ Cecil's suggestion, as John Foster Dulles advised, would also lead to "embarrassing conflicts of authority" with the Reparations Commission.¹⁴⁴ At June and July meetings of the SEC, Hoover made clear that American support for the organization was coming to an end, and that a return to normal international market conditions was the only option the Americans would consider. The Europeans simply had to ride out this painful period of transition until the market gradually stabilized their economic systems. The U.S. would not provide an endless source of credit to finance their reconstruction. The emergency wartime conditions that had necessitated a temporary departure from the laws of supply and demand were gone. Now that the war was over, "the world must go back to the prime impulse, and that is the reward to the individual producer and distributor."¹⁴⁵

Around that time, Hoover began to wind down the SEC's food relief operations.¹⁴⁶ The August meeting of the organization was the last that American delegates would attend. The SEC continued to meet until February 1920, though it could accomplish little now that its main source of funding had been cut off. Provision of relief largely ceased, and the SEC became more of a forum for communication on economic matters between its four remaining members – Britain, Italy, France, and Belgium – and for their joint purchase of food than anything else.¹⁴⁷ By the autumn of 1919, the British delegates had reconsidered the utility of their continued membership out of fear of alienating the Americans. Insistence on the continued existence of SEC, others worried, would drive the Americans out of the League. As Eric Drummond, the League's new Secretary General, wrote to Salter in November, "American opinion is not enthusiastic for

¹⁴³ Memorandum by Vance McCormick. 12 June 1919. Baruch Papers. Box 384. PUA.

¹⁴⁴ Memorandum by John Foster Dulles. 25 June 1919. Baruch Papers. Box 384. PUA.

¹⁴⁵ FRUS PPC, Vol. 10, 466-467. For an account of these debates, see Jordan A. Schwarz, *The Speculator: Bernard M. Baruch in Washington, 1917-1965* (Chapel Hill: University of North Carolina Press, 1981), 109-160.

¹⁴⁶ Fitzgerald, "The Supreme Economic Council and Germany," 373.

¹⁴⁷ "Present Position with Regard to the Supreme Economic Council and Economic Co-operation Under the League," 5. TNA T 1/12311.

continuance of Supreme Economic Council especially if it is to control buying selling and price of food and raw materials in international transactions.”¹⁴⁸ While certain British delegates, like Cecil and Wise, continued to push for keeping the SEC in place, the British state was turning against it. It had become an embarrassment – a forum in which the “Continental Governments” were given voice to demand more and more from Britain and the U.S. than these two were willing to provide. If the SEC were disbanded there would no longer be anyone “to survey the economic needs of the starving parts of Europe.”¹⁴⁹ But it was an economic burden, and had driven away the Americans. British officials soon turned their back on it: “it would be a good thing if the Meeting [of the SEC in November] at Rome,” one wrote, “could be given the character of a funeral ceremony.”¹⁵⁰

VI. The Legacies of Wartime Cooperation

By the end of 1919, plans for the creation of a permanent international economic organization appeared to be dead, and in February 1920, the SEC was officially disbanded. But in the autumn of 1920, the prospects for this project began to improve. After an international conference on financial reconstruction in Brussels, plans were made for the establishment of official economic committees at the League of Nations.¹⁵¹ From the late spring of 1919, Salter had been pitching blueprints for a League economic organization to Drummond, who was anxious to keep them secret. If word got out about these plans for an international economic organization there would be “violent reaction” against them around the world.¹⁵² In one design

¹⁴⁸ Telegram, Drummond to Salter. November 21, 1919. LON R293/10/2101/2101.

¹⁴⁹ Conclusion, Ministerial Conference. 18 November 1919. TNA CAB 23/37/7.

¹⁵⁰ “Future of the Supreme Economic Council.” TNA CAB 24/93/10.

¹⁵¹ On the establishment of the League’s Economic and Financial Organization, see Patricia Clavin, *Securing the World Economy: The Reinvention of the League of Nations, 1920-1946* (Oxford: Oxford University Press, 2013), 16-25; Decorzant, *La Société des Nations*, 291-333.

¹⁵² Drummond to Salter, July 11, 1919. LON R291/10/243.

for the new organization sent to Drummond in May 1919, Salter recognized the controversy to which he knew it could lead: “the instinctive attitude of every National Government and every National Department towards an international organisation in another country which attempts to affect national policy is always and necessarily to begin with a mixture of ignorance, indifference and irritation.” Salter was right to recognize both that these negative feelings would remain one of the primary obstacles to setting up a system of international economic governance and that the Allies’ wartime machinery – from the Commission Internationale de Ravitaillement to the AMTC to the Munitions and Food Councils operating under the AMTC – showed how this system could be designed. At these bodies, Salter wrote, work was conducted through “direct communication of expert with expert and not by means of of the formulation of a general national policy.” Controversy would remain intradepartmental and over technical matters, not between states.¹⁵³

After the Brussels Conference of September-October 1920, as the catastrophic financial situation of postwar Europe was becoming obvious, Salter’s plans for repurposing the wartime bodies into organs of the League of Nations began to look more favorable. Over the subsequent years, his visions of a League economic body to conduct relief work, facilitate financial reconstruction, and gather statistical data were gradually put into place.¹⁵⁴ Many of the leading figures behind Allied wartime cooperation took up important roles in the League, particularly in its economic work: Salter took charge of its Economic and Financial Section, while Monnet became deputy secretary-general of the body.¹⁵⁵ Cecil was one of the principal architects of the

¹⁵³ Salter to Drummond, 15th May 1919. “Note on Organisation of the League of Nations.” 10 May 1919. Salter Papers. SALT 1/4. Churchill College Archives Centre (hereafter, CCA). Cambridge, England.

¹⁵⁴ Salter, “General Note as to Immediate Work and Requirements of Economic and Financial Section.” LON R291.10.243.

¹⁵⁵ Felix Morley, *The Society of Nations: Its Organization and Constitutional Development* (Washington: The Brookings Institution, 1932), 229-260. See also Decorzant, *La Société des Nations*, 160-161.

entire organization. In 1919, Clémentel was replaced by Loucheur at the Ministry of Commerce, who himself became a key player in the League's economic work.¹⁵⁶

In the years following the end of the war, many looked back on the experience of wartime cooperation as having made possible the kind of internationalist experimentation that now excited people across the world. This was a narrative for which Salter himself provided the script. In his 1921 book on Allied shipping control, he described how the wartime bodies had transformed conceptions of sovereignty and expectations of international organization, or what he referred to as “world machinery.”¹⁵⁷ During the war, an unprecedented system for coordinating the national with the global had been created. Economic control, Salter argued, could not ever be fully deterritorialized, as the effects of economic policy-making were felt all the way down to the level of the village and the household. The needs and demands of the local could not be ignored, but rather had to be brought into harmony with larger national and international forces. The reason why organizations like the AMTC were so revolutionary was that they demonstrated how this feat of harmonization could be achieved: by putting national experts and technical agents with intimate knowledge of the local into direct contact with their counterparts in other states, forming a network of constant connection between technical offices in states across the entire world. This system by-passed traditional diplomacy, which was inefficient, slow, and usually pursued according to narrow national interests. This was a new way of organizing international relations, with technical agents from around the world creating a purportedly “non-political” form of permanent global administration that existed in parallel to the traditional political and diplomatic institutions charged with managing inter-state relations.¹⁵⁸

¹⁵⁶ Carls, *Louis Loucheur and the Shaping of Modern France*, 127-128.

¹⁵⁷ Salter, *Allied Shipping Control*, 243.

¹⁵⁸ *Ibid.*, 250-255.

The success of wartime cooperation also provided an example the League's supporters could draw on when theoretically justifying the League's existence and activities to its detractors. Just like the AMTC, they argued, the League of Nations was based on the principle of "voluntarily coordinated" international activity, which meant that it could in no way be considered a "super state." In both organizations, representatives from different states planned and coordinated national policies in an international forum that lacked the binding authority to force states to carry these policies out. National sovereignty was not violated; instead, a new concept of mediated sovereignty had been created. Experts and functionaries from across the world were now to form a chain of continuous contact across national borders in order to plan the international coordination of economic policies of these different states.¹⁵⁹

While economists had long preached the economic interdependence of the world, it had taken the war for political leaders to understand that this fact had serious implications for the organization and management of international relations. "The great success of the Allied experiment opened up new and wide possibilities," one postwar account put it, "in face of them it seemed less natural that governments should concert no measures rationally to control the economic conditions about them."¹⁶⁰ The inter-Allied experiment had set a crucial precedent for the array of technical activities that the League of Nations gradually developed – activities that brought the organization its greatest achievements, not only in economic and financial affairs, but also in communications, transit, and public health. This system operated by creating "an international pool of ideas," so that policy could "be shaped by the interplay of international as well as national considerations." In this way, the inter-Allied organization gave rise to an entirely new understanding of what an international organization could achieve: "the general surveillance

¹⁵⁹ Morley, *The Society of Nations*, 227-260.

¹⁶⁰ *Ibid.*, 21.

of the world as a unity.”¹⁶¹ By breaking up the old empires, the war had done much for the cause of national self-determination. But it had also shown the precarious interdependence of states and the need to manage it.¹⁶²

What was lost in so many of these postwar paeans to the inter-Allied experience, however, was reflection on the actual peacetime roles that many had hoped these bodies would come to perform. In the case of Clémentel and his advisers, and their supporters in the British state, an international economic organization offered a means, first and foremost, of managing world order in such a way that their enemies could be kept in a permanent state of subordination. Even the idea of a “world economy,” originally a German concept, was generally first used in French and British as a term of abuse: it denoted a dangerous German notion of world domination that had to be resisted.¹⁶³ While the new international economic organizations that many had hoped for were designed to perform the ostensibly non-political and technical tasks of coordinating supply or arranging transport, their aims were political to the core: these bodies seemed to offer the surest means for France and Britain to mitigate their weakened international positions after a devastating and bankrupting war, as the balance of global power shifted in favor of the U.S. After the war, they turned control of food into a weapon against the Soviets, feeding populations or cutting off their supply according to whether or not they had gone red. Even the Americans, who looked to dismantle the inter-Allied bodies as soon as possible after the war, recognized their value as tools of counterrevolution.

¹⁶¹ H.R.G. Greaves, *The League Committees and World Order: A Study of the Permanent Expert Committees of the League of Nations as an Instrument of International Government* (London: Oxford University Press, 1931), 11. On Salter as theorist of “functionalism,” see Leonie Holthaus and Jens Steffek, “Experiments in international administration: The forgotten functionalism of James Arthur Salter,” *Review of International Studies* 42.1 (2016): 114-135.

¹⁶² On this point, see Charles Howard Ellis, *The Origin, Structure, and Working of the League of Nations* (Boston: Houghton Mifflin, 1928), 27-28.

¹⁶³ See, for example, Hauser, *Germany's Commercial Grip on the World*, 175.

In the coming years, the League of Nations developed an array of new economic functions, first to organize the rescue of Central and Eastern European states hobbled by hyperinflation and financial collapse; then to facilitate freer trade; gather and study global economic data; and call international conferences on economic and financial matters. But the vision of international economic governance as a tool of war did not go away. In his account of the Paris Peace Conference, Ray Stannard Baker warned about the possible sinister uses of the kind of “economic world government,” modeled on the Supreme Economic Council, that he had called for:

this new problem, which year by year is destined to become a more significant factor in all international relationships, concerns the use of the enormous power arising from the control of the economic necessities of life – food, coal, and other raw materials – for determining the destinies of nations, in short, the use of the “economic weapon.” It was only in its crude beginnings at Paris; but the world will have a fuller taste of it in the future!¹⁶⁴

In September 1919, Salter was already outlining such an “economic weapon” for the League of Nations. What the new organization needed to develop, he wrote, was a centralized mechanism to coordinate the severance of financial ties and the prohibition of exports and imports with member states that went to war in violation of the articles of the Treaty of Versailles. This system would require the creation of an International Blockade Intelligence Committee, a centralized institution charged with gathering the information needed for a systematic blockade and for supervising it was effective. This Committee would function on the same model as the inter-Allied bodies, placing agents from different states into contact with each other in order to coordinate national polices at the international level. One of the primary reasons for institutionalizing this economic weapon, Salter wrote, was to convince the League’s detractors that the new organization could be a muscular defender of the international system: “one of the

¹⁶⁴ Baker, *Woodrow Wilson and World Settlement*, Vol. II, 394.

most serious weaknesses of the League at the present,” he admitted, “is perhaps that so many people think that it is founded more upon good intentions than upon a cool consideration of the stern realities of international trouble.”¹⁶⁵ The League’s technical administration had to be seen as possessing an equivalent means of violence as traditional statecraft. This was what the new economic machinery, which Salter himself had helped create, could offer: not just a means of facilitating a liberal and peaceful world order, but a tool for starving those who threatened it.

¹⁶⁵ Printed as “The Economic Weapons of the League under Article XVI of the Covenant,” in Arthur Salter, *The United States of Europe and Other Papers* (London: George Allen, 1933), 144-145.

CHAPTER TWO

The Internationalization of Colonial Economic Administration: Strategies for Postwar Stabilization, 1920-23

I. Postwar Efforts to Return to the Prewar

The rush across Europe and the U.S. to remove economic controls and disband wartime organizations in the immediate aftermath of the war has long been seen as an expression of a more general desire: to return to the economic arrangements that had existed before 1914. Understanding this process, and the domestic political turmoil to which it led, has occupied historians for generations.¹ The way back to the pre-1914 world seemed to call for a redrawing of lines between the private and public realms that had been blurred during the conflict. The demands of the war had necessitated unexpected and unprecedented departures from economic and financial orthodoxies, with states printing vast quantities of money to cover their wartime expenses, abandoning the strictures of the gold standard, and erecting extensive government controls over industry, imports, trade, and labor. As these controls were lifted, attention turned to questions of finance: how to rebalance European budgets, stabilize currency and exchanges, and strategize a return to the gold standard. The challenge was to suppress the seemingly dangerous new form of economic knowledge gained during the war: namely, as Arthur Salter later put it, “that a Government could pay for anything, which was within its political and physical control by the use of the printing press.”²

¹ See, for example, Michael Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918-1928* (Columbia: University of Missouri Press, 1977); Derek H. Aldcroft, *From Versailles to Wall Street 1919-1929* (London: Allen Lane, 1977), especially 1-10; Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933*; Dan P. Silverman, *Reconstructing Europe after the Great War*; Robert Boyce, *British Capitalism at the Crossroads*; Anne Orde, *British Policy and European Reconstruction*; Barry Eichengreen, *Golden Fetters*, 100-124.

² Arthur Salter, *Memoirs of a Public Servant*, 74.

One important question was whether, and how, the international organizations created at war's end could be used to help return to these prewar practices and conditions. Another was whether these organizations could help the new and weak states carved out of the Russian, Austro-Hungarian, and Ottoman Empires build up their own national economic and fiscal administrations. The search for answers to these questions transformed the imagination of economic management: could an international organization provide experts and officials with the power to design and externally enforce national policies during times of peace? And if so, how could this be made acceptable to national leaders? The worldwide wartime coordination of national controls over commodities and shipping had provided one model of international organization – one that was closely tied to Allied strategic visions for subordinating their two major enemies. In the early 1920s, new techniques were designed – both for providing experts to governments looking to modernize their national economic functions and for enforcing austerity in countries where the state's growing fiscal powers, expanded dramatically during war, had led to catastrophic economic and political instability.

The first moves in this direction came in September 1920 at the international financial conference in Brussels organized by the League's Council. The aim of this conference was to strategize the stabilization of Europe's currencies and a joint return to practices of sound finance and balanced budgets.³ League planning for the Brussels Conference had begun in February 1920 and involved the uncommon move of seeking out the policy advice of academic economists. Worried that the different national delegates at the conference would fail to reach any common ground for discussion, a League Advisory Committee, headed by Jean Monnet,

³ On the Brussels Conference, see, for example, Yann Decorzant, *La Société des Nations*, 163-290. For contemporary accounts, see H.A. Siepmann, "The International Financial Conference at Brussels," *The Economic Journal* 30 (1920): 436-459.

reached out in July 1920 to a handful of economists of “international repute” to provide a dispassionate analysis of the postwar situation.⁴ The five economists invited were among the world’s best known: Gustav Cassel from Sweden, A.C. Pigou from Britain, Charles Gide from France, Maffeo Pantaleoni from Italy, and G.W.J. Bruins from the Netherlands. Their principal recommendations, which shaped the conference’s proceedings, were for an immediate cessation of the printing of money, the implementation of drastic expenditure cuts and tax increases to balance budgets, the lifting of barriers to trade to stabilize exchanges, and the granting of international credits to states in need.⁵

These were orthodox ideas. But one recommendation resulted in a major innovation: the creation of an economic and financial organ of the League of Nations. In October 1920, on the basis of this recommendation, the League’s Council appointed an Economic Committee and a Financial Committee, which were to be staffed by a multinational corps of experts, drawn from central banks, commerce departments, and treasuries, but not appointed in official capacity as representatives of their governments. To organize and advise the work of these committees, a provisional Economic and Financial Section was also established, run by members of the League’s Secretariat. Walter Layton, a Cambridge economist who had spent the war at the Ministry of Munitions (and was later editor of *The Economist*), was the first head of this body. He was followed by Frank Horsfall Nixon, an Oxford-trained career civil servant from the British Treasury. Salter worked briefly as head of the Economic and Financial Section after the

⁴ “Draft Agenda for the International Financial Conference.” LON R495 10A/125/125.

⁵ Yann Decorzant, “Répondre à la demande sociale et à la demande du marché: les prémisses de la régulation économique dans les années 1920.” *Les cahiers IRICE* 2 (2008): 107-126; Eichengreen, *Golden Fetters*, 154-157.

war, but then became secretary of the Reparation Commission. He returned to the League and replaced Nixon in the late summer of 1922.⁶

Their early work was limited to facilitating the fulfillment of the economic clauses of the Treaty of Versailles, which focused narrowly on a return to conditions of open commerce. The League would oversee the abolition of trade restrictions, the reduction of tariffs, and the signing of commercial treaties, as well as work on some of the technical aspects of the return to freer trade – the simplification of customs, for example, and the unification of bills of exchange – and on the problems of tax evasion and double taxation.⁷ As for the League Covenant itself, the only clause dealing with economics was, as the American official Herbert Feis later wrote, “merely a statement of principle imposing no immediate obligation upon any government”⁸

Many wanted to keep the League’s economic work limited to this narrow set of tasks because of how controversial the very existence of the new economic bodies were. Most importantly, they could not take on the problems of reparations and inter-Allied debts. In the run-up to the Brussels Conference, the French Finance Ministry threatened not to participate at all out of fears that the League’s participation would lead to foreign intervention in domestic fiscal and financial policies, though there were French proposals to create a Financial League of Nations and an international bank.⁹ Most governments were, in general, “supremely suspicious of any suggestion of international control, and reluctant to accept any binding agreement on

⁶ On the foundation of the EFO, see Patricia Clavin, *Securing the World Economy*, 16-25; Decorzant, *La Société des Nations*, 291-333; H.R.G. Greaves, *The League Committees and World Order*, 35-41.

⁷ Maurice Fanshawe, *Reconstruction: Five Years of Work by the League of Nations* (London: George Allen & Unwin, 1925), 122-133; Martin Hill, *The Economic and Financial Organization of the League of Nations*, 21-47; A. Alexander Menzies, “Technical assistance and the League of Nations,” in *The League of Nations in Retrospect* (Berlin: De Gruyter, 1983), 295-312, at 296. On the League’s work on tax evasion, see Sunita Jogarajan, “The Drafting of the 1925 League of Nations Resolutions on Tax Evasion,” in Peter Harris and Dominic de Cogan, eds., *Studies in the History of Tax Law* Vol. 7 (Portland: Hart Publishing, 2015), 253-292.

⁸ Herbert Feis, *The Changing Pattern of International Economic Affairs* (New York: Harper & Brothers, 1940), 27.

⁹ Silverman, *Reconstructing Europe*, 274-283.

matters of economic and financial policy,” as a League employee later put it.¹⁰ League officials had to demonstrate they could provide useful services to states jealous of their sovereignty and unaccustomed to any kind of peacetime international economic organization. One way of doing so would be to offer the services of the technical and economic experts that the League was bringing into its service at the Secretariat, in the sub-committees of the Council, and on short-term contracts. If states were serious about rebuilding their economic systems, so it was thought, they might use the expertise that the League could provide. The war had demonstrated how powerful the international pooling and sharing of this expertise could be. The question now was whether states would be willing to call on the help of foreign experts during times of peace.

This chapter revisits debates from 1920 to 1923 about the establishment of a League program of international technical assistance and financial advising. It looks at how officials in the Financial Committee and at the Secretariat strategized responses to two of the major postwar economic problems: first, the shortages in raw materials faced by many states, briefly, in the immediate aftermath of the war; and second, the hyperinflation that gripped the former states of the Austro-Hungarian Empire during the 1920s. These suggested programs gave rise to major controversy: this was the first time that an international organization had attempted to provide sovereign states with the peacetime assistance of economic experts. The only precedents for this kind of assistance came from a form of financial advising developed for colonial and semi-colonial territories outside of Europe, or on its southeastern periphery, in the nineteenth and early twentieth centuries. When the Italian statistician Corrado Gini pressed the League in 1921 to design a program of international technical assistance, the only state that was interested was the semi-sovereign and newly independent Albania, to which the League sent a former colonial

¹⁰ Hill, *The Economic and Financial Organization of the League of Nations*, 23.

official of the Dutch East Indies as financial adviser in 1923. When League officials were called on in March 1921 to design a program of financial reconstruction for Austria, they were tasked with internationalizing a semi-colonial form of financial administration developed originally for debtor states in North Africa, the Middle East, the Balkans, Asia, and the Caribbean. This involved placing a foreign official in Vienna formally granted with near dictatorial powers of control over Austria's fiscal and financial policy-making.

The League's work in the early 1920s in Austria is the organization's best known accomplishment in the economic realm, and has been credited with laying crucial foundations for the later work of organizations like the International Monetary Fund.¹¹ What has received almost no attention is the fact that this work represented a midway point between a colonial model of financial governance and an international one. At this point, officials at the League of Nations did not understand themselves to be centrally involved with the task of managing the world economy as a whole, as they would by the 1930s; instead, their work was both to carry forward the wartime practice of coordinating international expertise with national policy-making as needed for postwar crisis management on a case by case basis, and to adapt old techniques of colonial administration for the very new task of peacetime international governance.

II. Technical Assistance at the League of Nations, 1920-23

The earliest League program of economic and technical advising was established in early 1921 as a belated response to a problem that had dominated discussion of reconstruction during the first months of the postwar period: Europe's shortages in raw materials and foodstuffs. The

¹¹ See Louis Pauly, "The League of Nations and the Foreshadowing of the International Monetary Fund." For a positive assessment of the League loans in comparison to the work of the IMF, see Juan H. Flores Zendejas and Yann Decorzant, "Going Multilateral? Financial Markets' Access the League of Nations Loans, 1923-8," *Economic History Review* 69.2 (2016): 653-678.

peace settlement had called for a return to unhindered open trade, and Article 23e of the League's Covenant for a commitment on the part of member states to maintain the "equitable treatment" of commerce between them. But many worried in the immediate aftermath of the war that a hasty retreat to peacetime conditions of trade would not bring equilibrium to world markets, given the economic dislocations of the war. They called instead for the creation of an international mechanism to ration raw materials between rebuilding states, similar to the wartime inter-Allied system. At the Paris Peace Conference, Italian delegates had drafted a version of the League's Covenant outlining a system of direct international control over the supply and distribution of vital commodities.¹²

Over the next two years, Italian officials continued to press the issue. At an October 1920 meeting of the League's Council, the Italian League delegate and former Foreign Minister Tommaso Tittoni insisted that the League take immediate steps to address the resource inequality that existed between states. While this condition of inequality was created by nature itself, Tittoni suggested – with the seas scattering minerals unevenly across the earth's surface and climatic differences making one country fertile and another barren – it was being unfairly upheld by resource-rich countries against the interests of poor ones, like Italy, through trade restrictions, monopolies, and trusts. Tittoni called for the return to the resolutions of the 1916 Paris Economic Conference and for the creation of a commission to study and recommend measures to control the international distribution of raw materials.¹³ Since the problem of international economic equality was to be seen primarily in terms of access to resources, and not in terms of abstract

¹² Karl W. Kapp, "The League of Nations and Raw Materials 1919-1939," *Geneva Studies* 12.3 (1941): 9-64, at 15-16. See also the official 1946 League of Nations report, written by Eugene Staley and amended by K.E. Knorr, *Raw-Material Problems and Policies* (New York: American Book-Stratford Press, 1946), 9-38.

¹³ Tittoni, "La repartition des matières premières." ILO L5/3.

measures of national wealth, the solution to it was to recreate a system of international rationing like the one that had existed during the war.

Despite strong opposition by the British delegate Arthur Balfour to Titonni's proposal – one of the only attempts to put the problem of international economic inequality directly onto the League's agenda – the Council resolved to follow up on it by undertaking a survey of the worldwide production and distribution of raw materials and foodstuffs, building on the Allies' wartime statistical work on commodity supplies.¹⁴ In February 1921, Secretary General Eric Drummond handed responsibility for the project to the Italian statistician Corrado Gini, who had served as member of the Inter-Allied Scientific Food Commission during the last year of the war and as director of the Statistical Office of the Italian Ministry of War from 1916 to 1919. Gini, who had occupied the Chair of Statistics at the University of Padua since 1912, had become a leading Italian statistician at a young age for his publications on statistical methodology, probability, and demographics. His famous measure of income equality, the so-called "Gini Coefficient," came from the 1912 book *Variabilità e mutabilità*.¹⁵ In March 1921, Gini was brought in as an outside consultant to the League's provisional Economic and Financial Section on a six-month contract, paying £100 per month.¹⁶ He was to base his raw materials study on a series of questionnaires on production and trade sent out to the statistical offices of member states, as well as to a handful of non-members: the U.S., Germany, Hungary, the Baltic States, Ecuador, and the Kingdom of the Hedjaz on the Arabian Peninsula.¹⁷

¹⁴ League of Nations. *Raw-Material Problems and Policies*, 31-32.

¹⁵ Jean-Guy Prévost, *A Total Science: Statistics in Liberal and Fascist Italy* (Montreal: McGill-Queen's University Press, 2009), 31-57.

¹⁶ "Proposal Involving Expenditure. Personnel." LON S778/10028/10028. The statistical work for this study was thought to be beyond the capacities of the section's staff. See Walter Layton to Karl Schanzer. 19 January 1921. LON S778/10028/10028.

¹⁷ Corrado Gini, *Report on the Problem of Raw Materials and Foodstuffs* (Geneva: League of Nations, 1921), 9.

The questionnaires did not yield good results. They were long and complex, and few states routinely collected and analyzed the kind of sophisticated statistical data that was requested: estimates, in both metropolitan and colonial territories, of the production, import, and consumption of major commodities – such as coal, pig iron, petroleum, jute, wool, hemp, and cotton – for 1919 and 1920, as well as an average for 1910-13 and a prediction for 1921.¹⁸ Some states were also unwilling to divulge sensitive economic information to the newly founded League of Nations, particularly when it came to their colonies. None of the contacted states provided raw material data on their colonial territories besides Belgium for the Congo and Japan for Korea, Karafuto, and Kwantung.¹⁹ Others worried that this information could be used against them in the form of the League’s newly instituted system of economic sanctions – the so-called “economic weapon.”²⁰ Gini’s work during the spring and summer of 1921 was to fill in these gaps in information, which he did largely by compiling statistics from surveys conducted by private industrial and agricultural associations, as well as organizations like the International Institute of Agriculture, Britain’s Imperial Institute, and the International Chamber of Commerce. His report based on this data, completed in August 1921, offered a statistical snapshot of the total global supply of several important commodities – cereals, wool, cotton, coal, oil, iron, and chemical manures – in every settled region of the world outside of sub-Saharan Africa (with the exception of South Africa). Despite its shaky data, the ambition of Gini’s peacetime inquiry was matched only by that of the wartime studies that it took as its precedents.²¹ Along with the ILO’s massive eight-volume *Enquête sur la production*, published

¹⁸ “Supplies of Foodstuffs and Raw Materials. Questionnaire to the Governments.” ILO L 5/3.

¹⁹ Gini, *Report on the Problem of Raw Materials and Foodstuffs*, 11.

²⁰ F.H. Nixon to Corrado Gini. 13 April 1921. LON S778/10028/10028.

²¹ Gini, *Report on the Problem of Raw Materials and Foodstuffs*, 5-13.

in 1920, this was the first postwar scientific attempt to envisage, as the French economist Edgard Milhaud put it, “international economic life... in all of its connectivities.”²²

In addition to the collection of scarce data, the other aim of Gini’s study was to propose solutions to the supposed postwar crisis of resource scarcity. Like Tittoni, Gini saw the resolutions of the 1916 Paris Economic Conference as providing a crucial precedent for any new League program on this front.²³ He was sympathetic to calls for the creation of an organization, modeled on the wartime system, to acquire and distribute equally “the raw materials and foodstuffs of the entire world... in the common interest, among the various States according to the requirements of each individual State.” (He referred to this as the “Socialist Solution” to the raw materials problem.) At the very least, some kind of organization like this was needed to gather statistics and to coordinate the League’s economic weapon. But it was unlikely that states during times of peace would be willing to countenance the limitations on their economic sovereignty that the recreation of this kind of wartime organization would require. A much easier solution would be for the League of Nations to dispatch an elite corps of technical experts to states suffering from shortages in order to help them return to normal market conditions.²⁴

According to Gini, the principal cause of the raw materials crisis was a lack of purchasing power on the part of importing states. What had been a straightforward problem of scarcity in the immediate postwar period, with demand for raw materials far outpacing their supply, had by 1921 been replaced by a problem of markets, as states struggled to purchase goods due to their weakened finances. Rebalancing the world’s trade in commodities now required the total

²² Edgard Milhaud, “L’organisation économique de la paix,” *Recueil des Cours de la Académie de la Haye* 1926): 281- 430, at 299.

²³ Gini, “L’Enquête de la Société des Nations sur la question des matières premières et des denrées alimentaires.” *Metron. Rivista Internazionale di Statistica* II. 1-2 (1922): 1-195, at 1, footnote 1. See also Tommaso Tittoni, “The International Problem of Raw Materials, Discriminating Prices and Export Duties.” *World Agriculture* 1.2 (1920): 121-122.

²⁴ Gini, *Report on the Problem of Raw Materials and Foodstuffs*, 25.

financial reconstruction of states hobbled by the economic dislocations of the war, including much of Central and Eastern Europe – particularly the new states that had emerged from the Russian and Austro-Hungarian Empires, as well as the Balkan States and Portugal. In these countries, heavily depreciated currencies and unpredictably fluctuating exchange rates made the import of raw materials and foodstuffs prohibitively expensive. The disequilibria of exchange rates also made it nearly impossible for them to borrow from abroad. These states were caught in a “vicious circle,” Gini wrote, needing stable exchanges to attract loans but unable to stabilize their exchanges without credits from abroad. A series of thoroughgoing administrative and fiscal reforms, including the implementation of heavy new taxes and fiscal austerity, was required to stabilize their currencies and exchanges and to restore confidence in their solvency. The problem was that many of these states had neither sophisticated financial administrations to oversee these reforms nor a professional set of experts to direct them. This was particularly pronounced in the successor states to the Russian Empire, Gini pointed out. The intensely political nature of these reforms, moreover, made it difficult for unstable states to pursue them safely. What they needed was the assistance of highly-trained technical advisers from abroad, who could help them to transform their financial and fiscal administrations in ways that did not attract too much attention.²⁵

There were obvious precedents to this kind of work in colonial and semi-colonial territories outside of Europe. “England, by means of technical advisers,” Gini wrote, “has been able to direct the economic policy of several Asiatic States with advantageous results to their economy and her prestige.”²⁶ But bringing these imperial methods of financial administration directly back to Europe, he insisted, would cause severe political distress. While states like China

²⁵ Ibid., 62-79.

²⁶ Ibid., 72.

and Turkey had allowed “foreign Commissions to administer their revenues,” it was doubtful “whether any European people would submit to such interference.”²⁷ This program might have a chance, though, if the ostensibly impartial League of Nations took responsibility for it. If successful, not only would this program help address the instability of Europe’s postwar financial position, Gini wrote, but would also “serve to increase considerably the prestige of the League of Nations.”²⁸

In August 1921, Gini wrote to Eric Drummond about the possibility of establishing an official League program of technical advising. He insisted that the economic problems facing Europe were due, in large part, to the unsophisticated financial administrations of many European states – a problem the League could directly address.²⁹ Drummond responded favorably, though he admitted the difficult questions to which Gini’s suggestion was likely to give rise: “the exact status of the proposed expert; his relationship to the League; the responsibility for the payment of his salary and expenses.”³⁰ In September, the League’s Council resolved to task the Economic and Financial Committees with the compilation of a list of experts who could perform these functions, as well as to draft a contract establishing the terms of their service, modeled on an earlier contract signed by the Imperial Government of Persia with a group of Belgian financial advisers who had travelled to Persia to reform the empire’s customs service.³¹

This kind of program of economic and technical advising had never before been coordinated and led by an international organization. While League officials thought it unlikely,

²⁷ Ibid., 48.

²⁸ Ibid., 74.

²⁹ “Memorandum à Sir Eric Drummond.” LON R356/14697/14697.

³⁰ “Proposed Appointment of Technical Advisers on Economic and Financial Subjects.” LON R356/14697/14697.

³¹ J. Melot to Paternotte, 7 December 1921. LON R356/18330/14697.

“on the grounds of prestige,” that a sovereign state would ask another for help of this sort, it might be willing to accept the assistance of a seemingly neutral international body like the League of Nations.³² European financial advisers and other experts had long travelled to foreign states to staff and reform their administrations,³³ and at the beginning of the twentieth century, the U.S. state sponsored a number of international missions of “money doctors” – Edwin Kemmerer, Charles Conant, and Jeremiah Jenks, most famously – to Caribbean and Central America states and to the Philippines. These missions were usually designed to help these states see through the reforms needed to get them on the gold standard, though they often resulted in the extension of a form of American semi-colonial rule over them.³⁴

It was exactly these semi-colonial precedents to the kind of technical advisory work that Gini called for in Europe that made those at the League who were tasked with organizing it do so with great hesitancy. Several members of the Financial Committee doubted it was even viable. Offering the help of League-appointed foreign experts was a “question of extreme delicacy,” one member suggested at a February 1922 meeting. Few states, “from the point of amour propre,” would be willing to hire non-nationals to play any kind of significant role in their administrations.³⁵ There was the precedent of a German expert who had been called to Sweden to reform the state’s railway system. But the relevance of this example was limited, the Czechoslovak member Villem Pospisil suggested, by the fact that he had been appointed by a

³² “Report to the Council on Certain Aspects of the Raw Materials Problem by the Economic Section of the Provisional Economic and Financial Committee.” LON R369.

³³ Marc Flandreu, ed. *Money Doctors: The Experience of International Financial Advising 1850-2000* (London: Routledge, 2003).

³⁴ Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930* (Cambridge, MA: Harvard University press, 1999), 4-96. For a recent account of the overlap of American economic expertise, finance, and empire in the Philippines, see Allan S. Lumba, “Imperial Standards: Colonial Currencies, Racial Capacities, and Economic Knowledge during the Philippine-American War,” *Diplomatic History* 39.4 (2015): 603-628.

³⁵ “Appointment of Technical Advisers to be Placed at the Disposal of Certain Governments.” LON R356/14697/14697.

private body, the Swedish Taxpayers' Association, and not by the state. Poland and Lithuania were, so far, the only two states that had directly expressed interest in the League's technical aid. But it was not obvious what they were looking for, since their requests had been made "in somewhat vague terms."³⁶

In March 1922, a letter signed by Drummond was sent out to League member states offering the services of experts for a variety of tasks: reforming their monetary systems, establishing or reorganizing their public services – railways, post, telegraphy, public works – and improving their fiscal administrations.³⁷ The letter also asked each contacted state for a list of their own nationals who could perform these services elsewhere. Six states responded with the names of various experts in law, finance, customs, and infrastructure (railways, telephones, electricity), which were compiled in November 1922 into a long master list.³⁸ Several others rejected the League's request for information or insisted that names would be given out only in clear and immediate cases of need. As for the help of League-appointed experts, only Greece and Luxembourg were interested. Many did not answer Drummond's letter at all or, as predicted, simply refused the League's offer of help.³⁹ In August 1922, Devawongse Varopakarn, the Siamese Minister of Foreign Affairs, wrote to Drummond insisting that his country – even with its "administration in the process of reorganisation on modern and western lines" – had no need for the League's assistance.⁴⁰

While many states after the First World War were put off by the implications of inviting in foreign advisers to help reform their economic administrations, there was one exception. In

³⁶ Minutes of the Financial Committee. February 1922. Attached to Note by Secretariat, "Technical Advisers on Commercial & Financial Administration." LON R356/14697/14697.

³⁷ Drummond, 17 March 1922. LON R356/19362/14697.

³⁸ "Liste des conseillers techniques offert par divers pays." LON R356/25380/14697.

³⁹ "Note sur l'état actuel de l'enquête relative aux conseillers techniques." LON R356/25380/14697

⁴⁰ Varopakarn to Drummond. 9 August 1922. LON R356/23674/14697.

May 1922, the Albanian government made a formal request for the services of League-appointed financial and technical experts to help attract foreign capital and develop the country's natural resources. Albania, which had split from the Ottoman Empire in 1913 after the Second Balkan War, had a special relationship with the League. In 1920, it had formally asked for admission as an independent state, and in 1921, for the organization to take responsibility for settling its borders and protecting its territorial integrity.⁴¹ Albania's request for League membership at first struck some officials as absurd, given the country's low level of development compared to other member states. But they soon came to see the prospect of state-building in Albania as crucial for stabilizing the volatile region of Southeastern Europe.⁴² Albania's membership also presented an opportunity to prove the value of the services the League could provide to its other member states, as well as the power of its economic weapon. In March 1921, the Albanian Prime Minister Iliaz Vrioni called on the League to help evacuate the soldiers of the Kingdom of the Serbs, Croats, and Slovenes who were occupying the country, which had a strategically important coastline on the Adriatic. Economic sanctions were imposed on the Yugoslav Kingdom, and troops were withdrawn. Albania's subsequent request for the help of League-appointed experts was taken as confirmation that emphasis on the League's status as a neutral international body would allay anxieties about its program of technical assistance, which was generating little enthusiasm elsewhere. "Albania, which had never willingly accepted the control either of the mighty Turkish Empire or of any other yoke came forward willingly and asked for assistance from the League," wrote the League Secretariat member G.H.F. Abraham. "Why did it trust the League? Because it felt that the League was an organization which was really impartial and

⁴¹ Owen Pearson, *Albania and King Zog: Independence, Republic and Monarchy 1908-1939* (London: Centre for Albanian Studies/IB Taurus, 2004), 159-184.

⁴² F.H.Nixon to Albert Calmes. 28 July 1922. LON S137.

objective, that it had no financial or territorial policy concealed in the background, that it represented no selfish interest, that it not seek to tyrannize but only to help.”⁴³ The Albanian government, unlike others, was willing to accept the imposition of any form of external financial control by the League of Nations that was needed for a foreign loan. This would be necessary to prevent Albania’s financial collapse, which some worried would dangerously destabilize the Balkans.⁴⁴

In July 1922, the Luxembourgish economist Albert Calmes was dispatched to Albania to report on the country’s economic conditions. This was a difficult task, particularly given the lack of the most rudimentary statistical data there, even a reliable estimate of the population. In a September 1922 report for the Council, Calmes recommended a series of steps for Albania’s development: the paving of roads, draining of swamps, eradication of malaria, establishment of an independent central bank, and research into means of exploiting the country’s mineral wealth. All of this required a sizable foreign loan.⁴⁵ To win the confidence of foreign creditors and “Albanian capitalists” for such a loan, Albania needed an externally-administered system of control over the state’s finances, led by a League-appointed adviser.⁴⁶ This would be necessary to facilitate Albanian attempts to, as Frank Nixon put it, “create that machinery of government which economists tend almost to take for granted in civilised communities.”⁴⁷

Unlike in Western Europe, League officials had few qualms about sending experts to a supposedly “uncivilized” state like Albania, and saw this work in explicitly colonial terms. The

⁴³ G.H.F.Abraham, “The Albanian Question.” Arthur Sweetser Papers, 1913-1961. Box 13. MSS42085. Library of Congress (hereafter, LOC). Washington, D.C.

⁴⁴ Count Moltke to Major Abraham. 20 September 1922. LON S137.

⁴⁵ “La situation économique et financière de l’Albanie. Annexe au rapport présenté au Conseil par le Comité financier de la Commission économique et financière sur sa huitième session, Genève, septembre 1922.” LON S137 77/4/1.

⁴⁶ Major Abraham to Eric Drummond. 23 September 1922. LON S137.

⁴⁷ F.H. Nixon to Albert Calmes. 22 July 1922. LON S137.

search for the adviser that Calmes had called for placed the League's provisional Economic and Financial Section into the role of colonial recruiter. Over the summer and autumn of 1922, League officials, including Nixon, Monnet, and Salter, reached out to the colonial offices of several different European states to find the right person for the job: "a man with an experience and character similar to those which are required by the best men in the Colonial Services of the British Empire."⁴⁸ The first person suggested was an English national with experience in Egypt, but his candidacy was rejected by French League officials who feared his appointment would give British firms an advantage in exploiting Albania's considerable petroleum reserves.⁴⁹ Suggestions for Paul van Zeeland, a Belgian lawyer and official at the National Bank of Belgium (and later Prime Minister of Belgium, from the Catholic Party, from 1935-36), were also rejected due to the fact that Van Zeeland, despite his financial expertise, was apparently "not the type of man who makes a pioneer or colonial administrator" and lacked the kind of experience necessary needed for "building up the Albanian administration in a colonial manner."⁵⁰

The best candidate for the job was thought to be someone from a neutral country, like the Netherlands, since the appointment of a Dutch adviser, unlike a British or French one, would apparently not lead to suspicions that the small country was being exploited for strategic ends. It was particularly important to reassure the Italians of this fact, who made it clear that they objected to having a British or French adviser placed into a position of administrative authority in a strategic territory on the Adriatic.⁵¹ While the U.S. was thought to have little at stake geopolitically in the region, an American adviser would likely be seen as a representative of

⁴⁸ F.H. Nixon to Albert Janssen. 18 October 1922; Nixon to Walter Layton, 13 October 1922. LON S137.

⁴⁹ "Albania." Arthur Salter Papers. Salt 1/1. CCA.

⁵⁰ F.H. Nixon to Marcus Wallenberg. 29 September 1922. LON S137.

⁵¹ See also Alessandro Roselli, *Italy and Albania: Financial Relations in the Fascist Period* (London: I.B. Tauris, 2006), 21-32.

Standard Oil looking to stake claims on Albania's newly discovered mineral wealth,⁵² though this same objection was made against hiring a Dutch official, given the strength of Dutch interests in oil, which, as one League official put it, was coming to be seen as "the greatest enemy of international cooperation."⁵³

The additional benefit of a colonial administrator from the Dutch East Indies, League officials thought, would be his experience governing Muslim populations and his knowledge of Islamic finance.⁵⁴ In his application for the post, one candidate, J.G. Moojen of the Dutch East Indian Services, who had worked as controller of Badung, drew attention to his considerable experience in governing both Muslims and populations that refused to submit to colonial rule, most notably the Ampat Lawang people of Tebing Tinggi. These were "the most troublesome people of whole Palembang," Moojen wrote, "independent and fond of liberty by nature, which makes one think of the description of the Albanian mountain inhabitants. They were those who offered the longest resistance against our weapons."⁵⁵ Moojen's application was rejected due to his lack of financial experience, but Nixon was impressed with his expertise in "governing rather wild people."⁵⁶

The candidate chosen was Jan Hunger, a former colonial Administrator of Batavia, who was appointed after receipt of personal confirmation for his post from the new Italian head of state, Benito Mussolini. In May 1923, Hunger took up a five-year post in Tirana. His first task was to work on establishing an Albanian bank of issue, and he immediately set to work with the Financial Committee on a draft law for its statutes.⁵⁷ His other job was to sort through the many

⁵² Wallenberg to Nixon. 26 November 1922. LON S136.

⁵³ F.H. Nixon to Bernardo Attolico. 30 November 1922. LON S137.

⁵⁴ Ter Meulen Secretary to Nixon, 19 November 1922; Nixon to Ter Meulen. 30 November 1922. LON S136.

⁵⁵ "Translation of a Letter from Mr. J.G. Moojen to the Dutch Colonial Minister." 12 December 1922. LON S137.

⁵⁶ Nixon to Wallenberg. 6 January 1922. LON S137.

⁵⁷ "Albania. Final Reports of the Commission of Enquiry." *League of Nations Official Journal Special Supplement* (hereafter, LON OJ SS) (1923): 209.

applications from foreign and Albanian companies for concessions on petroleum, forests, mines, dams, cigarette-paper, matches, and playing cards. The budget of the young Albanian state needed to be balanced, economies instituted, and income taxes raised on the lightly-taxed Albanian elite.⁵⁸ While Hunger was clearly frustrated with having to cooperate with the sluggish Albanian parliament, his work, seen from afar, was remarkable: “This is a most interesting enterprise,” as one League official put it. “A young country, having no note issue, is to have its first bank constitute and to see credit, until now practically unknown within its borders, established in the form which is usual in Western Europe.”⁵⁹

The League’s work in Albania was designed to be the very first internationally administered program of technical assistance and development for a sovereign state – a state whose formal sovereignty, however, did not translate into equal status with its fellow League members from Western Europe.⁶⁰ Albania was, as Salter put it in August 1923, a “mountainous, primitive, agricultural, sparsely populated, and until recently rather barbarous country,” which was now “trying, with the aid of the League of Nations, to civilize itself.”⁶¹

III. Planning the Financial Reconstruction of Austria, 1921-22

Sending former colonial administrators as technical experts to a peripheral, largely non-Christian state, one whose inhabitants were thought of as primitive “warlike” peoples, was not seen as likely to cause much controversy.⁶² But this was not at all the case for a “civilized” state

⁵⁸ “First Report of the Financial Adviser to the Albanian Government,” and “Second Report of the Financial Adviser to the Albanian Government,” *League of Nations Official Journal* (hereafter, LON OJ) (January 1924): 162-168.

⁵⁹ “Work of the Financial Committee.” LON OJ SS (1923): 63.

⁶⁰ The only history of development to include the League’s work in Albania is that of Javier Gonzalo Alcade, which mentions it in passing. See Alcade, *The Idea of Third World Development: Emerging Perspectives in the United States and Britain, 1900-1950* (Lanham, MD: University Press of America, 1987), 52-53.

⁶¹ Salter to M.L. Gwyer, 31 August 1923. LON S115.

⁶² Abraham, “The Albanian Question.” Sweetser Papers. Box 13. LOC.

in the heart of Europe. Such a program of technical assistance was thought to be so embarrassing to national prestige that no Western European government would accept it willingly. This was what made League officials hesitant to organize a program of technical advising for Europe in response to Gini's study, and why there was little surprise when most states rejected their offers. But in the first half of the 1920s, the extreme financial instability of postwar Central and Eastern Europe forced the League's economic organizations into a role that their founders had not imagined they would play, overseeing major programs of international financial reconstruction, first in Austria, then Hungary, Greece, Bulgaria, Danzig, and Estonia.

Austria's reconstruction came at a moment when Europe's postwar financial stabilization had become a major object of concern for government officials and private bankers on the both sides of the Atlantic. The consensus view was that public finances in these states needed to be put in order by a dramatic increase in taxes and decrease in expenditure, a return to the gold standard and end to paper money, the establishment independent central banks, a reduction of tariffs and the provision of international loans under foreign oversight to help states to carry out necessary fiscal reforms. A solution to the reparations problem was needed before lasting stabilization would be possible.⁶³ In the U.S., the financial rehabilitation of Central and Eastern Europe was widely seen as necessary for sustaining American trade, and U.S. officials like Hoover, now Secretary of Commerce, attempted to facilitate cooperation between private bankers in the U.S. and Europe to strategize this stabilization.⁶⁴ After the Brussels Conference of 1920, the next broad-based effort at postwar economic stabilization came at an international conference in Genoa in April-May 1922 planned by Lloyd George to revise certain aspects of the

⁶³ See, for example, Benjamin M. Anderson, Jr., "The European Financial Situation and Possible Remedies," *The American Economic Review* 13.1 (1923): 65-67. See also R.S. Sayers, *The Bank of England*, 155 ff.

⁶⁴ Leffler, *Elusive Quest*, 54-55.

postwar settlement. He hoped to reestablish economic relations between the Soviet Union and the West in order to restore the vast Russian market for British goods, which would help alleviate postwar British unemployment. After Briand fell to Raymond Poincaré in January 1922, discussion of the reparations question was removed from the agenda of the conference. U.S. officials refused to send delegates, though Hoover was designing a similar program for European reconstruction aimed at an economic rapprochement with the Soviet Union. The Genoa Conference was a failure, and led to Lloyd George's fall from power. But it helped give rise to the practice of states supplementing their gold reserves with foreign currency – the so-called gold exchange standard system.⁶⁵

The League's programs of financial stabilization began after the failure of Genoa. These programs, particularly in Austria, are among the organization's best known and most heralded accomplishments, and represented, as Salter later put it, the "first great experiment in reconstruction by international effort."⁶⁶ But they also gave rise to explosive debates about the political stakes of designing a program to rescue Austria from hyperinflation, which like the Albanian technical assistance scheme had direct colonial precedents. What was needed to stabilize Austria's currency was an externally managed administration to take control of the country's fiscal and financial policymaking, remove it from the hands of national party politics,

⁶⁵ Carole Fink, *The Genoa Conference: European Diplomacy, 1921-1922* (Chapel Hill: University of North Carolina Press, 1984); Andrew Williams, "The Genova Conference of 1922: Lloyd George and the Politics of Recognition," in Carole Fink, Alex Frohn, and Jürgen Heideking, eds., *Genoa, Rapallo, and European Reconstruction in 1922* (Cambridge: Cambridge University Press, 1991), 29-48.

⁶⁶ Salter, "Recent Progress in European Reconstruction." Speech to the International Chamber of Commerce, 23 June 1925. LON C118. On the role of the League in Austria's financial reconstruction, see Nicole Pietri, *La Société des Nations et la reconstruction financière de l'Autriche 1921-1926* (Geneva: Centre européen de la Dotation Carnegie pour la paix internationale, 1970); Orde, *British Policy and European Reconstruction*, 108-145; Peter Berger, "The League of Nations and Interwar Austria: Critical Assessment of a Partnership in Economic Reconstruction," in Günter Bischof, Anton Pelinka, and Alexander Lassner, eds., *The Dollfuss/Schuschnigg Era in Austria* (New Brunswick: Transaction, 2003), 73-92; Frank Beyersdorf, "'Credit or Chaos?' The Austrian Stabilisation Programme of 1923 and the League of Nations," in Daniel Laqua, ed *Internationalism Reconfigured*, 135-157; Nathan Marcus, "Credibility, Confidence and Capital: Austrian reconstruction and the collapse of global finance, 1921-1931." Unpublished PhD Dissertation. New York University, 2012.

and direct it from the outside. This system of control was modeled directly on a form of financial administration developed by European states and financial institutions during the nineteenth and early twentieth centuries for defaulting states in North Africa, the Middle East, Asia, and the Balkans. Planning Austria's financial rescue involved, first and foremost, navigating the question of whether this form of administration, developed for semi-sovereign states outside of Europe and on its periphery, could be transplanted wholesale to a "civilized" state at its core.

When League officials were first approached in March 1921 with the challenge of rescuing Austria from inflation, they were confronted with a problem for which there few obvious solutions. The dramatic plummeting of the value of the Austrian crown was unlike anything most contemporaries had ever witnessed.⁶⁷ The only precedents for it were the hyperinflations attending the mass issue of greenbacks during the American Civil War and that of the assignats during the French Revolution.⁶⁸ While inflation was still not a well-understood phenomenon, there was general agreement that, in the case of postwar Austria, it was being caused by the excessive printing of currency to cover the costs of the war and its aftermath. Some thought the biggest culprit was the food subsidies being handed out by the Austrian state to feed the country's starving masses, though they conceded this was a necessary measure with

⁶⁷ During these years, as Salter later wrote, there was a "general reluctance of the external world (which was notable and, as it now appears, so remarkable a factor in the post-war financial position of Europe) to believe that a national currency could completely and permanently lose its value." Arthur Salter, "General Survey," in League of Nations, *The Financial Reconstruction of Austria: General Survey and Principal Documents* (Geneva: League of Nations, 1926), 11. For a general account of the postwar inflation, see Hans Kernbauer, Eduard März, and Fritz Weber, "Die wirtschaftliche Entwicklung," in Erika Weinzierl and Kurt Skalik, eds., *Österreich 1918-1938: Geschichte der Ersten Republik* Vol. I (Graz: Styria, 1983), 348-354.

⁶⁸ "Notes of a Lecture Given by Mr. Nixon to Members of the British League of Nations Union, at Geneva, 7th August 1922. On the Economic and Financial Work of the League." LON S123; Jan van Walré de Bordes, *The Austrian Crown: Its Depreciation and Stabilization* (London: P.S. King & Son, 1924), 1. On this point, see also the League of Nations report, *The Course and Control of Inflation: A Review of Monetary Experience in Europe after World War I* (Geneva: League of Nations, 1946), 9.

Bolshevist governments being formed next door in Budapest and Munich.⁶⁹ There was also the problem of a dramatically expanded government payroll, as the truncated Austrian state was absorbing civil servants from across the former empire who did not want to be naturalized as citizens of the successor states. Some thought the Austrian Republic might simply be economically unviable – an awkward combination of the poor and agricultural regions of the former empire with the wealthy and cosmopolitan, though now isolated, city of Vienna, where a third of the population lived. As industry sputtered and unemployment rose, the state was forced to pay out more in welfare services.⁷⁰ To cover these expenses, it resorted to printing money. Attempts to raise taxes in the immediate aftermath of the war, by officials like State Secretary Joseph Schumpeter, failed.⁷¹ Resort to the printing press further weakened Austria's currency and exacerbated its deficits, leading the state to print more. The situation was, as the Dutch Secretariat official Jan van Walré de Bordes put it, "like a cat chasing its tail."⁷²

By early 1921, it seemed obvious that this vicious cycle could only be broken through outside intervention. There were high geopolitical stakes: the rump Austrian state looked poised either to fall to the wave of Bolshevism sweeping across Central Europe or be annexed to Germany. The idea of *Anschluss* was loudly advocated by both the Austrian Pan-German right and Social Democratic left.⁷³ These were the two major fears – the westward march of Bolshevism and the creation of a greater Germany – that still gripped many French and British

⁶⁹ Jan van Walré de Bordes. "The Work of the League for the Financial Reconstruction of Austria." 3 August 1922. LON S108. On the postwar hunger crisis in Austria, see Patricia Clavin, "The Austrian Hunger Crisis and the Genesis of International Organization after the First World War," *International Affairs* 90.2 (2014): 265-278.

⁷⁰ "Memorandum." LON S107; de Bordes, *The Austrian Crown*, 10-11. De Bordes's book came to be recognized as the one of the most important contemporary studies of inflation, and the "only detailed history of the complete cycle of depreciation and eventual stabilization that has yet been published in English," as the American economist James W. Angell put it in 1926. James Angell, *Theory of International Prices: History, Criticism and Restatement* (Cambridge, MA: Harvard University Press, 1926), 196.

⁷¹ Berger, "The League of Nations and Interwar Austria," 78.

⁷² Bordes. "The Work of the League for the Financial Reconstruction of Austria." LON S108.

⁷³ Walter Goldinger, *Geschichte der Republik Österreich* (Munich: R. Oldenbourg Verlag, 1962), 67-76.

officials.⁷⁴ In March 1921, as Monnet later wrote, “our task was to prevent an exhausted Austria becoming a prey to other countries.”⁷⁵ His suggestion was to turn the idea of foreign intervention on its head: if the leading members of the League of Nations, France and Britain, got involved with Austria’s rescue, this would encourage other states to do so as well, since they would be anxious to prevent any other state from turning Austria’s crisis to its advantage.⁷⁶ The challenge was how to approach the question of attracting private capital to Austria, necessary for its financial stabilization, from the “point of view of a private Capitalist.”⁷⁷

Despite the obvious need for action, there were few attractive precedents for what an internationally-administered scheme of financial reconstruction for a European state like Austria might look like. The first halting attempts to establish one, from early 1921 to the summer of 1922, collapsed. In the immediate aftermath of the war, foreign assistance to Austria had largely come in the form of credits for emergency food relief. By late 1920, as the currency crisis accelerated, it was clear that a more general scheme of reconstruction was needed. At a Paris meeting of the Allied powers in January 1921, Louis Loucheur, now Minister for Liberated Territory, presented a plan for Austria’s rescue based on a privately administered system of external control over Austrian finances. He called for the creation of an International Commission, staffed by representatives from several European states, to take control of the Austrian budget and to oversee measures to reduce state spending. This body was to be modeled on the International Debt Commission established in 1898 to oversee the servicing of Greece’s foreign debt in the wake of the Greco-Turkish War. Alongside it, a private industrial,

⁷⁴ For a recent account of how these fears informed some of the more ambitious postwar reconstruction plans in Eastern Europe, see Simone Pelizza, “The Geopolitics of International Reconstruction: Halford Mackinder and Eastern Europe, 1919–20,” *The International History Review* 38.1 (2016): 174-195, at 180-183.

⁷⁵ Monnet, *Memoirs*, trans. Richard Mayne (Garden City: Doubleday, 1978), 93.

⁷⁶ Salter, *Memoirs of a Public Servant*, 176-177.

⁷⁷ Appendix V to I.C.D. 157. Report of the Committee on Austria. Approved in Principle by the Allied Conference in Paris on January 29th, 1921.” LON S117.

commercial, and banking company would administer the revenues used as securities on loans. Loucheur's scheme never got very far, and was rejected by the Austrian government. There was also a general reluctance on the part of private banks to get involved in any French-led scheme, since French officials were thought to be too concerned with questions of geopolitics and security to take the economic realities of the Austrian situation into full consideration.⁷⁸

In March 1921, after the Supreme Council approached the League of Nations for assistance, Basil Blackett, the Controller of Finance at the British Treasury and member of the League's Financial Committee, suggested an alternative approach. He called for Allied states to postpone their claims on the Austrian assets they had designated for reparations and as securities for relief credits. These assets could then be used as securities for a League-administered international credits program that had been proposed at the Brussels Conference of September 1920 – the so-called “Ter Meulen” scheme, named for the Dutch banker who had designed it.⁷⁹ But after several months of negotiations, little agreement could be reached on the release of the liens. The League scheme appeared to be dead, and the situation continued to deteriorate. French officials were growing nervous about the nightmare scenario. “If the League scheme fails,” Nixon wrote to Blackett in July 1921, “the union of Austria and Germany is thereby rendered more likely.”⁸⁰ In early 1922, Britain, France, Italy, and Czechoslovakia agreed to issue an additional set of loans to Austria out of public funds. But these were quickly spent, and the value of the crown continued to plummet downwards.⁸¹

⁷⁸ “Austria. Rapport par M. Loucheur.” LON S117. See also Orde, *British Policy and European Reconstruction*, 123-125; Eduard März, *Austrian Banking and Financial Policy: Creditanstalt at a Turning Point, 1913-1923* (New York: St. Martin's Press, 1983), 410-411; Sayers, *The Bank of England*, 164-165; György Péteri, “Central Bank Diplomacy: Montagu Norman and Central Europe's Monetary Reconstruction after World War,” *Contemporary European History* 1.3 (1992): 233-258, at 241-246.

⁷⁹ A.M. Innes, “The Ter Meulen Scheme,” *The Economic Journal* 31.124 (1921): 544-547; W.F. Gephart, “The Ter Meulen Credit Plan,” *The North American Review* 215.796 (1922): 338-344.

⁸⁰ Nixon to Blackett. 11 July 1921. LON S108

⁸¹ Orde, *British Policy and European Reconstruction*, 130-131.

During the spring and summer of 1922, League officials again set to work on a general scheme of Austrian financial reconstruction. It was now obvious that no Austrian government would be able to carry out the politically painful fiscal reforms needed to stabilize its currency on its own. Someone detached from national politics, who could break the deadlock of parliamentary conflict, was needed to supervise these reforms on the ground in Vienna. This adviser would have to prevent the new state from taking measures that further weakened its currency – namely, running perpetual budget deficits and printing money to cover them. This was the only way to return the confidence in the Austrian state that was needed for further foreign loans. Austria had rejected the idea of League financial control out of fear of the public’s reaction in March 1922, and Austrian officials reached out to private banks in England and the U.S. for direct assistance as alternative.⁸² But after the Catholic priest Ignaz Seipel was elected Chancellor from the Christian Social Party in May, an agreement was reached. At the League in September, Seipel, in the face of strong Social Democratic opposition, announced that submitting to the “humiliation” of foreign control was better than allowing the country to experience complete economic collapse.⁸³ It was this same specter of the republic’s collapse, however, that provided Austrian officials with a card to play with their former enemies, whom international public opinion, they claimed, would hold responsible for the fall of one of Europe’s “ancient centres of civilizations.”⁸⁴

⁸² “Extract from the Report from the Financial Committee to the Council of the League of Nations Regarding the Reconstruction of Austria. March 1922.” LON S103.

⁸³ Minutes of Council. 6 September 1922. LON OJ (November 1922): 1449. On the role of Seipel in Austria’s financial reconstruction, see John Deak, “Dismantling Empire: Ignaz Seipel and Austria’s Financial Crisis, 1922-1925,” in Peter Berger, Günter Bischof, and Fritz Plasser, eds., *From Empire to Republic: Post-World War I Austria* (New Orleans: University of New Orleans Press, 2010), 123-141. Seipel’s speech apparently made a profound impression on League officials. As the former Deputy Secretary General F.P. Walters later wrote in his history of the League of Nations, “it would be hard to imagine a more effective advocate in any international gathering than this quiet, ascetic, supremely intelligent priest, whose clerical garb seemed to set him apart from other delegates.” F.P. Walters, *A History of the League of Nations* (Oxford: Oxford University Press, 1952), 208.

⁸⁴ Georg von und zu Franckenstein to David Lloyd George. 7 August 1922. LON S107.

The plan that the officials at the Council and Financial Committee designed that summer and early autumn resulted in the successful internationalization of a form of financial administration originally designed for semi-sovereign states and colonies, and provided a model for later forms of international financial surveillance and lending. In September 1922, the League's Council formed a Sub-Committee on the Austrian question to negotiate the specifically political aspects of the problem, staffed by senior state officials such as Arthur Balfour from Britain; Gabriel Hanotaux, former French Foreign Minister under Charles Dupuy; the liberal Italian diplomat Guglielmo Imperiali; leading Czechoslovak politician Edvard Beneš; and Seipel from Austria. According to Salter, this body was designed to function along the same lines as the wartime inter-Allied organizations.⁸⁵ Advising the Council were the Economic and Financial Committees, with the latter taking charge of plans to oversee the stabilization of the Austrian budget under League control. Unlike the Sub-committee of the Council, the Financial Committee was not staffed by representatives chosen by their home governments, but by a "neutral" multinational group of bankers, finance ministers, and central bank officials. This organization was designed to be, as Nixon termed it, "'a corps d'élite' of international finance" and a "non-political body of financial experts,"⁸⁶ which brought together officials who were close to their national governments, but able to act independently from them. This, it was hoped, would result in recommendations that were at once impartial, but that would be taken seriously back home.⁸⁷

At its head was Albert Janssen, the former Belgian Minister of Finance and head of the National Bank of Belgium, who remained a member of the Financial Committee until 1940. Its other members included Basil Blackett, who along with Monnet was credited with doing most to

⁸⁵ Salter, *Memoirs of a Public Servant*, 177.

⁸⁶ F.H. Nixon to Basil Blackett, 23 May 1922. LON S116.

⁸⁷ On this point, see *Principles and Methods of Financial Reconstruction Work undertaken under the Auspices of the League of Nations* (Geneva: League of Nations, 1930), 42-43. Notably absent from its staff were any economists.

design the original shape of the League's program for Austria.⁸⁸ Born in 1882 to missionary parents in Calcutta, Blackett was also an Oxford trained career civil servant at the Treasury, who had been dispatched to the U.S. during the war to negotiate American financial assistance to Britain. He left the League and the British Treasury in late 1922 for a position in the Indian Colonial Government, and was replaced at the Financial Committee by H.E. Fass. From South Africa came the Austrian-born and British-naturalized financial and government adviser Henry Strakosch, who had played an important role in overseeing the development of large-scale gold mining in South Africa. The French member was the Treasury official Joseph Avenol, who became Secretary General of the League in 1933, where he remained until 1940. Also working on the scheme was the Czechoslovak banking official Villem Pospisil, and the Japanese official Seiichiro Arai. Its temporary members included the Italian senator Maggiorino Ferraris and the Swiss banker Alfred Sarasin, and its representatives from the League Secretariat were Nixon, Salter, and Jan van Walré de Bordes. The officials most responsible for designing the program were Blackett, Avenol, Monnet, Salter, and Nixon, though the latter was replaced by Salter as head of the Economic and Financial Section in September 1922.⁸⁹

In the spring and summer of 1922, the most important task for these League officials was to design a system of financial control in Vienna that was both austere enough to stabilize the currency and politically acceptable enough to not lead to further turmoil on the ground. Nixon was particularly vexed by the political challenges of this plan. In an April 1922 memorandum, he outlined the problem concisely. While Austria was desperate for loans from London and New

⁸⁸ Salter apparently gave Monnet credit for "the flash of genius that resulted in the Austrian plan." Thomas Lamont to Committee on Honorary Degrees, Harvard University. 11 December 1926. Thomas Lamont Papers. Box 129 Folder 11. Baker Library, Harvard Business School. Cambridge, MA.

⁸⁹ Nicole Pietri, "L'oeuvre d'un organisme technique de la Société des Nations: Le comité financier et la reconstruction de l'Autriche (1921-1926)" in *The League of Nations in Retrospect*, 319-342, at 319.

York, no bank was willing to offer its money without guarantees that the assets provided by the Austrian state as securities on these loans were not mismanaged. If the Austrian currency continued to depreciate, these assets would also plummet in value. As such, these financial firms, if loans were to be made, insisted on the appointment of a “Controller” in Vienna, who would be given the power to supervise the revenues of the Austrian state and to oversee the balancing of the budget through the mass dismissal of public officials, the ending of government subventions and food subsidies, and the raising of taxes.⁹⁰ In another memo from February 1922, Nixon listed the set of powers this Controller might have: in addition to management of the assets pledged as securities, he would be given veto powers over the printing of money, as well as over any new laws or regulations on currency and exchange. The Austrian budget would need his approval, as would any methods used to generate revenue, though on this last question, the Controller was “so far as possible to abstain from interfering in internal politics.”⁹¹ If reforms were not preceding according to schedule, he could refuse to release funds to the state. He was to meet weekly with representatives from the guaranteeing governments, and if any of his recommendations were not followed, he could request they put pressure on the Austrian government. If disagreement arose between the Controller and the Austrian state, or between the Controller and foreign lenders, then the League’s Financial Committee – a “body at the same time non political and representing the general financial experience of Europe,” as Nixon put it – would step in to arbitrate.⁹²

Giving the Controller these extensive powers over Austrian fiscal policy would not be easy. His work was bound to be as “political as it is possible to be,” Nixon warned: “The dismissal of railway employees in Austria means a conflict between the Government and the best

⁹⁰ F.H. Nixon. “Control of Austria.” 15 April 1922. LON S103.

⁹¹ F.H. Nixon. “Austrian Finances. Suggested lines of action of Controller nominated by Financial Committee.” LON S103.

⁹² F.H.Nixon. “Control of Austria.” 15 April 1922. LON S103.

organised Trade Union in a country where social democracy has more power than anywhere else in Europe,” he wrote. “The abolition of food subsidies means increasing the cost of living, the choice between fundamental methods of raising revenue is the fundamental question of class legislation.” What was needed was an adviser who had nothing less than the power to decide on fundamental questions of national distribution. “There is no avoiding the fact that the restoration of sound finances in Austria will necessarily entail considerable hardship on certain sections of the population. The responsibility for deciding which those sections shall be is the responsibility which the Controller is asked to assume.” But it was crucial this Controller not be seen as just a representative of foreign banks, since this would inflame public opinion and lead to further political instability. The plans that Austrian officials had discussed in the spring of 1922 with members of the Bank of England and J.P. Morgan to install their own controllers to oversee reforms were potentially disastrous. Austria’s Social Democrats were the second strongest party in the country and exercised tight discipline over industrial workers. “To invite them to accept additional financial burdens to satisfy the requirements of a representative of international capitalism,” Nixon warned, “is to take the surest means of provoking serious trouble” – trouble that could boil over into the rest of the region.⁹³

The promise of having the Financial Committee of the League of Nations direct the program for Austria was that this body could function as a kind of intermediary between foreign capital and the Austrian state. It was much safer to have critics of the scheme blame the League for violating Austria’s sovereignty than to believe that Austria had been taken over by foreign capitalists. The League was to serve as a “political buffer,” Nixon wrote, “to absorb the political shocks and to allow the lenders to secure the efficient administration of their assets with as little

⁹³ Ibid.

meddling in politics as possible.”⁹⁴ It would provide cover for Austrian politicians so that they could enact politically-dangerous reforms, while at the same time sloughing off blame for them to the League Controller who demanded them. Since the League was not beholden to the interests of any specific state (or worse, to those of private capital) it was seen as better able than national political parties to weather these criticisms. It was also this international and neutral character of the League that would convince the Austrian government to accept the terms of the bailout in the first place. Some in the Financial Committee continued to argue for Loucheur’s scheme of a private corporation taking responsibility for reforming the budget and administering Austrian assets. But Nixon and Monnet were adamantly opposed to this idea. “It would be absolutely impossible to have a modern enlightened European state controlled by a capitalistic controller,” Monnet argued. “His mission would be a complete failure.”⁹⁵ It was crucial to make sure that the Austrians did not feel as though they were being ruled by a “private group of capitalists.”⁹⁶

In September 1922, the Financial Committee set to work on the details of a program of control in Vienna, as well as the specific measures needed to return equilibrium to the budget by the end of 1924. First and foremost, the state’s deficit had to be covered by foreign loans, totaling around 520 million crowns, so that the state could cover its immediate expenses without resorting to more printing. Revenue from customs and the state’s forest monopoly would be provided as security on these loans, which would be guaranteed by several European states. If Austria defaulted, these states would be called on to make good on the loans.⁹⁷ This

⁹⁴ Ibid.

⁹⁵ “Conversation between Monsieur Monnet and Sir Basil Blackett.” 24 February 1922. LON S103.

⁹⁶ “The Austrian Scheme and Genoa.” LON S106.

⁹⁷ Frank Beyersdorf argues that this provision was key for the success of the scheme. See Beyersdorf, “‘Credit or Chaos?’,” 148

“anonymous” method of lending would prevent any single creditor from being able to press its claims on Austria.⁹⁸ By late 1922, a new and independent Bank of Issue had to be up and running. By early 1923, a slate of “drastic reforms” needed to be underway, including the privatization or break-up of state-run industries, particularly the railways, and the reduction, by a third, of the state’s expenditure on its civil servants. These reforms were bound to entail considerable hardship, and would not in themselves guarantee the survival of the state. But these were presented as the only possible options. “If the appropriate financial policy is adopted and maintained,” as a September 1922 report by the Financial Committee put it, “the Austrian economic position will adjust itself to an equilibrium, either by the increase of production and the transfer of large classes of its population to economic work, or economic pressure will compel the population to emigrate or reduce it to destitution.” While adjusting to this new equilibrium would be painful, the alternative – unchecked inflation – would cause the total collapse of the state “into a chaos of destitution and starvation to which there is no modern analogy outside Russia.”⁹⁹

Targeting the necessary reforms was easier than getting an adviser onto the ground to oversee them. This required the approval of the Austrian parliament, but also a means of allowing the Controller to work outside of normal political venues and as free as possible from domestic distributional struggles. At a meeting of the Financial Committee on September 16, Avenol suggested a “blank cheque” be requested from the parliament authorizing the Controller to act without interference from party political struggle in parliament.¹⁰⁰ The recommendations

⁹⁸ This was later held up as one of the most appealing features of the League loans to Austria and other states. See *The Problem of International Investment: A Report by a Study Group of Members of the Royal Institute of International Affairs* (London: Oxford University Press, 1937), 231-234.

⁹⁹ “Reply of the Financial Committee to Four Questions Reported by the Austrian Committee of the Council of September 8th.” LON S107.

¹⁰⁰ “Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Dixième Séance. 16 Septembre 1922.” LON S107.

and reforms already made by parliament, Avenol had suggested earlier, “will remain Platonic, the government today having neither the will nor the power” to see them through.¹⁰¹ Ferraris pointed out that a similar system had been put into place in immediate postwar Italy, when the government had been given “unlimited powers to raise the taxes and to dismiss employees from all the State services, without making changes in the administrative system.”¹⁰² The problem in Austria, as the Austrian delegate at the Financial Committee had put it, was that the two major parties in Vienna – one bourgeois and one socialist – were of equal power, which made it nearly impossible to have a rational discussion of cutbacks in the state’s payroll.¹⁰³ With conditions of runaway inflation, parliamentary rule was inherently destabilizing and had to be neutered as much as possible.

It was also crucial to choose a Controller who was not a national of any state with a clear strategic interest in controlling Austria. This meant, again, finding a Controller who was either American or Dutch. Several candidates from the U.S. were mentioned for the post, including Benjamin Strong, chairman of the Federal Reserve Bank of New York, and attorneys from the New York firm Cravath & Henderson. But it was generally thought that an American Controller would not be sufficiently knowledgeable about European affairs, or have the requisite language skills, to do the job with tact. The only suitable American candidate was Herbert Hoover, though it was thought that he would turn down the job, as he was “watch[ing] his eggs” for a presidential run.¹⁰⁴ The other top American candidate, Roland Boyden, member of the

¹⁰¹ “Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Cinquième Séance. 13 Septembre 1922.” LON S107.

¹⁰² “Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Dixième Séance. 16 Septembre 1922.” LON S107.

¹⁰³ “Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Neuvième Séance. 15 Septembre 1922.” LON S107.

¹⁰⁴ It was pointed out that success in Europe might help Hoover’s presidential prospects, however, since his “absence, under romantic conditions, would impress upon the American imagination.” Marcus Wallenberg to Jean Monnet. 14 October 1922. LON S109.

Reparations Commission, rejected the offer of the post due to a misunderstood telegraphic communication.¹⁰⁵

The mayor of Rotterdam, Alfred Rudolf Zimmerman, was appointed to the position. Born to a high bourgeois family, Zimmerman was a career civil servant, who had been appointed Burgomeister of Rotterdam in 1912 as member of the Dutch Liberal Party. While he was not a financial expert, Zimmerman was thought to have a strong track record in administering Rotterdam's port during the war, and his training in international law was also appealing. The additional promise of Zimmerman's background was that he was unlikely to be viewed by socialists as a "regular representative of capitalism."¹⁰⁶ And yet he did have the relevant experience of putting down a socialist uprising in Rotterdam in November 1918, and had done so, Blackett pointed out, with "tact."¹⁰⁷ Once in Vienna, Zimmerman was to give monthly reports to a Control Committee, composed of one representative of each state guaranteeing at least a tenth of the total amount loaned to Austria, with powers proportionate to the percentage of the total loan. This body could not give Zimmerman direct instructions, nor could it to the Austrian government, but it could make appeals to Zimmerman on behalf of the creditors. This committee was also to appease Italian anxieties about the program: its chair was given to the candidate of Mussolini's choosing, the Italian economist Maffeo Pantaleoni.¹⁰⁸ In November, less than two weeks after coming to power, Mussolini personally approved the nomination of Zimmerman.¹⁰⁹

The most important question was how much executive power the controller himself would have on the ground. Pospisil argued for his "complete right of sanction" over all of the

¹⁰⁵ Salter, *Memoirs of a Public Servant*, 179.

¹⁰⁶ "For Sir Arthur Salter from Mr. Pelt." 31 October 1922. LON S117.

¹⁰⁷ Blackett to Salter, October 18, 1922. LON S109.

¹⁰⁸ "Questionnaire Referring to the Control." LON C36; "General Constitution of Control." LON S107.

¹⁰⁹ Benito Mussolini. Telegram. Received on 14 November 1922. LON S117.

financial decisions taken by the Austrian government.¹¹⁰ Avenol disagreed, suggesting that the controller only have power to advise the Austrian state on what to do. The actual actions needed to be carried out by the Austrians themselves, though they would need the approval of the Controller any time they wanted access to new funds. The Controller's right of counter-signature over these requests for funds, Avenol added, was such a "strong weapon" that it would probably never need to be used. If the controller were given "absolute power," Fass suggested, then he would effectively become the Austrian Minister of Finances. It was better only to give him the power of surveillance over the state. To avoid the League scheme from appearing dictatorial, Ferraris suggested that a committee of controllers on the ground might be better than just a single one. But Strakosch strongly rejected this idea, insisting that a plurality of voices would jeopardize the country's stabilization. He used an argument that was just then becoming a popular critique of parliamentary democracy: "a bad cook is better than an infinite number of good ones," Henry Strakosch insisted. "What's needed is a single controller that is not afraid of making decisions."¹¹¹

IV. The Problem of Colonial Precedents to Financial Control

The members of the Financial Committee were not squeamish about designing a controller for Austria with quasi-dictatorial powers. But they were nervous about making clear reference to the precedents that existed for this kind of arrangement, which they studied in preparation for their discussions of the late summer of 1922 – and which they insisted could be

¹¹⁰ "Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Dixième Séance. 16 Septembre 1922." LON S107.

¹¹¹ "Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Seizième Séance. 16 Septembre 1922." LON S107.

applied to the Austrian case only “with the greatest caution.”¹¹² The only model for this kind of external controller was that of officials who had been placed in charge of the fiscal administrations of semi-colonial, usually Muslim, states outside of Europe, or in the cases of Greece and Serbia, in small Orthodox states on its periphery. These systems of control had been established in the second half of the nineteenth century, as the massive outflow of capital from Europe led to many poorer states becoming heavily indebted to European financial institutions. When faced with losses, private creditors making foreign governmental loans demanded the creation of international debt commission to protect their interests. These commissions took control of a debtor state’s fiscal policy and sources of revenue, and typically resulted in the extension of some degree of indirect or direct European political control over the defaulting state. Around the turn of the twentieth century, similar systems of control had been erected by the U.S. in Santo Domingo, Honduras, and Nicaragua. Unlike their European counterparts, these systems were run by exclusively American commissions and not by the multinational bodies established by the European empires, though they too often had the effect of extending American semi-colonial rule over the states where they were established.¹¹³

Officials at the Financial Committee and the Austrian Sub-Committee of the Council actively studied these arrangements, and in closed-door meetings discussed the applicability of the Ottoman and Egyptian systems of control.¹¹⁴ A memorandum by the Sub-Committee outlined, in particular, five different examples that could be used as the basis of a system for Austria: from Tunis (1869-70), Egypt (1876-80), Turkey (1878-81), Greece (1893-98), and

¹¹² Austrian Sub-Committee of the Council. Report by the Financial Committee on the question of the Commission of Control.” LON S107.

¹¹³ For two classic – though highly racist – accounts of these systems, see Herbert Feis, *Europe the World’s Banker 1870-1914* (New Haven: Yale University Press, 1930) and Edwin Borchard, *State Insolvency and Foreign Bondholders*, 2 Vols. (New Haven: Yale University Press, 1951).

¹¹⁴ See, for example, “Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Dixième Séance. 16 Septembre 1922.” LON S107.

Santo Domingo (1907). In general, the Council report stated, the need for these controls arose when foreign creditors put pressure on their governments to intervene diplomatically or threaten invasion to secure payment from a debtor state in default. This would result in the constitution of an international commission of creditors to take control over its financial administration, which would either take revenue directly from states to pay service on the debt, or supervise the fiscal policy of the state to make sure the debt was being serviced.¹¹⁵ In the case of Austria, such a system of control was needed not only to collect debt, but also to return confidence in the solvency of the state so that future loans could be made. The other model of control studied was that of the Chinese Maritime Customs Service, which, according to another Secretariat memo, offered a slightly different model to that of the Egyptian, Turkish, and Greek debt commissions. Instead of collecting existing debts, the Chinese Customs Service was used for making sure that new capital sent to the country was used wisely. This arrangement was regarded as less coercive, since it was intended simply to provide China “with economic machinery, whilst protecting the interests of the lenders against the lack of experience or the weakness of the Chinese Government.”¹¹⁶

The most important precedent for League officials designing the Austrian scheme was that of Egypt during the last quarter of the nineteenth century. In 1876, a foreign commission of control was established in Cairo to oversee the servicing of the foreign debt the Egyptian state had accrued steadily since 1856, when Said Pasha had taken out massive foreign loans to help fund the construction of the Suez Canal. Over the next two decades, after taking out further

¹¹⁵ Sub-Committee of the Council for the Austrian Question. “The Various Systems for the Control of Public Finance.” LON S107.

¹¹⁶ “Note by the Secretariat on the International Controls Established in China.” LON S107. On the Customs Service, see Hans van de Ven, *Breaking with the Past: The Maritime Customs Service and the Global Origins of Modernity in China* (New York: Columbia University Press, 2014).

loans, the government of the Khedive Ismail Pasha approached default. In May 1876, the Khedive agreed to the creation of the Caisse de la Dette Publique, to be staffed by commissioners from Britain, France, Austria-Hungary, and Italy, who were given the status of Egyptian officials. It operated by placing public revenues from provincial taxes, the salt and tobacco monopolies, and customs receipts under European supervision, beyond the reach of the Egyptian government, so they could be used to service the foreign debt. A British and a French controller were also granted authority to oversee the state's expenditure and the collection of revenues, as well as control over the administration of the railways and the port of Alexandria. These two controllers functioned as direct representatives of private European bondholders. At the head of the Commission of Control was the British colonial official Evelyn Baring (later, Lord Cromer), who oversaw the organization until 1879, before becoming the Consul-General in 1883 and de facto ruler of Egypt.¹¹⁷

The example of Baring's administration was foremost in the minds of League officials when designing a system of control for Austria. "The cure must be surgical," the Scottish Secretariat official Alexander Loveday wrote back to Geneva from a trip to Vienna in March 1921. "The process of administration and the relationship of the international controlling organ to the existing Government must be somewhat similar to the position of Lord Cromer in the early days of his administration in Egypt."¹¹⁸ It was not a defect that Lord Cromer's system functioned through the latent threat of violence. At a September 1922 meeting of the League's Financial Committee, Ferraris asked Blackett to explain how the foreign control in Egypt had worked: "this was very simple," Blackett answered, "The Powers of Lord Cromer were purely advisory,

¹¹⁷ "The Various Systems for the Control of Public Finance." LON S107. On Egypt, see also Borchard, *State Insolvency and Foreign Bondholders*, 577-593; David Landes, *Bankers and Pashas: International Finance and Economic Imperialism in Egypt* (New York: Harper & Row, 1969).

¹¹⁸ "Note by Loveday." 26 March 1921. LON S143.

but he was supported by a strong ‘gendarmerie.’”¹¹⁹ Blackett thought that the Austrian scheme would similarly require the services of an international gendarmerie, since the reforms that were called for were likely to result in widespread social unrest.¹²⁰

The two other major precedents studied at the League’s Council were those of Ottoman Turkey and Greece. In Turkey, an administration similar to the one in Egypt had been constituted by the Decree of Muharram in December 1881 after default in 1876 on foreign debt accumulated during the previous decades, much of it from the costs of the Crimean War. This Council of Administration was composed of representatives of private bondholders from Britain, France, Germany, Austria-Hungary, the Netherlands, and Italy, as well as a representative appointed by the Ottoman Bank. It collected revenues from the state salt and tobacco monopolies, fisheries, spirits, and stamps and placed them into an account of the bondholders. The Ottoman Government could take no action to change the revenue received from these revenues, and was required to cooperate with the Debt Administration. If a conflict arose, arbitration between the Ottoman state and the foreign administration could be conducted by four outside parties, chosen by each side, with no right of appeal to their decision.¹²¹ In the case of Greece, which had steadily accrued debt from its conflicts with the Ottoman Empire, an international commission of control was created in 1898 after defeat in the Greco-Turkish War in 1897. The International Financial Commission sat representatives from the six major European powers, and its chairmanship rotated every six months according to the alphabetical order of the name of each

¹¹⁹ “Commission Economique et Financière Provisionnel. Comité Financier. 9ème session – Genève – Septembre 1922. Dixième Séance. 16 Septembre 1922.” LON S107.

¹²⁰ Orde, *British Policy and European Reconstruction*, 135.

¹²¹ Sub-Committee of the Council for the Austrian Question. “The Various Systems for the Control of Public Finance.” LON S107. See also Sevket Pamuk, *The Ottoman Empire and European Capitalism, 1820–1913: Trade, Investment and Production* (Cambridge: Cambridge University Press, 1987), 55-81; V. Necla Geyikdagi, *Foreign Investment in the Ottoman Empire: International Trade and Relations 1854-1914* (London: I.B. Tauris, 2011), 41-46.

member state (from Austria-Hungary to Britain to Germany and so on). A Société de Régie, staffed by Greek nationals, but placed under the authority of the international commission, oversaw revenues from the state's monopolies on cigarettes, salt, paper, matches, playing cards, petrol and emery from Naxos; the tobacco and stamp taxes; and customs from the port of Piraeus. The International Commission had to approve any changes to revenue coming from these sources, while the Greek Government was barred from doing so itself.¹²²

These systems of control provided a direct model for the League's own. But they had to be redesigned to be less humiliating for a Western European state like Austria. The fact that the League program would be coordinated by an international organization, and not by private creditors and foreign banks, it was argued, would sufficiently differentiate it from these other models. But League officials were still nervous about calling attention to the Egyptian, Ottoman, and Greek precedents. Nixon was particularly vexed by what he saw as the clear civilizational problems with importing a semi-colonial system of control directly back into the heart of Europe. Nixon saw the need for a League intermediary between international capital and the sovereign Austrian state, first and foremost, in racial terms. He spelled this out very clearly to John Maynard Keynes in a letter from April 1922:

The City and Wall Street prefer to lend money to Austria direct, partly because they distrust the League (i.e. they distrust France), but more because they do not want any intervention between lenders and borrowers. Our scheme is based on the belief that such an intermediary is necessary because of the inter relation of finance and politics. The City thinks of loans to Austria in terms of Egypt or Turkey or the Chinese customs, but they ignore the fact that Austria is not a nigger country and the currency reform is a more complicated and political question than the control of an external debt.¹²³

¹²² Sub-Committee of the Council for the Austrian Question. "The Various Systems for the Control of Public Finance." LON S107. See also George J. Andreopoulos, "The International Financial Commission and Anglo-Greek Relations (1928-1933)," *The Historical Journal* 31.2 (1988): 341-364.

¹²³ F.H. Nixon to John Maynard Keynes. 6 April 1922. LON S116.

This kind of racist explanation of the fundamental difference between Western European states and China, Turkey, and Egypt was made both to justify and to criticize the League's work in Austria. The complexities of the politics of a supposedly advanced European state made the Austrian situation different to that of an Oriental despot spending beyond his means, or a small and "backwards" state getting involved in wars it could not afford. The reform of Austria, as such, "cannot be carried out at the simple behest of foreign capitalists:"

some kind of screen is necessary both to make this control acceptable to the borrowers and to protect the lenders against being drawn into political conflicts. The bankers who are refusing to accept the League of Nations scheme for fear of getting involved in politics have got the thing the wrong way up. Our League Commission of control would bear the brunt of political trouble.¹²⁴

In a May 1922 article in the *Manchester Guardian*, Nixon referred to this novel role for the League, as intermediary between foreign capital and the sovereign Austrian state, as being a "shock absorber for the financial machine." This was necessary to get around the "anomaly inherent in the control by private groups of the finances of a civilized European country."¹²⁵

Nixon thought that he needed to spell these points out directly to British and American bankers. In March 1922, he drafted a letter for Monnet to send to Dwight Morrow, a former inter-Allied official who was now a leading partner at J.P. Morgan. Calls by American and British bankers to establish a system of direct creditor control over Austrian finances, Nixon insisted, neglected the racial hierarchies that made it impossible to bring this kind of system back to Europe without fundamental modification. Repeating the line he had used with Keynes, Nixon insisted to Morrow that "Austria is not a nigger country... [so] neither Austria nor her neighbors will allow Austria to be humiliated by being handed over, as they would say, to the mercy of western capitalists." This was the reason Loucheur's scheme had been rejected by the Austrians.

¹²⁴ Idem.

¹²⁵ F.H. Nixon, "Financial Intervention in Austria." May 1922. *Manchester Guardian*. LON S106.

It was “extremely unlikely,” Nixon continued, “that the Austrian people, however down-trodden, would accept, for instance, to have the price of bread increased at the behest of English or American capitalists.” The Social Democrats would see this as a simple case of “capitalist tyranny.”¹²⁶ If a controller were sent to Vienna, he could not be seen as a stooge of private finance nor beholden to foreign governments. In an “uncivilized” country without sophisticated national politics, Nixon implied, this would not be a problem.

Nixon worried that British and American bankers either did not recognize or did not care about these civilizational stakes. But they were obvious to other observers, particularly to Europe’s leading international lawyers, for whom the question of international financial control had become a major topic of discussion in the two decades prior.¹²⁷ A 1924 article by the Greek international lawyer André Andréadès explained why, seen historically, the League’s scheme for Austria was so controversial. The system of external financial control being adapted for Austria had originally emerged solely for Muslim states, ones that were “accustomed to certain restrictions of sovereignty.” It had been haltingly extended after 1896 to poor Christian states in the Balkans and Greece, as well as to Central America and the Caribbean under American supervision. The League’s program for Austria not only represented an evolution from these earlier schemes, but might, on first glance, be considered even more severe, since “the interference is not limited to certain pledged revenues, but also extends to... the control of state expenditures.” The League scheme did aim to strengthen and not weaken the Austrian state, and was designed with the interests of Austria in mind, not just those of foreign creditors. But it

¹²⁶ Jean Monnet [F.H. Nixon] to Dwight Morrow, 16 March 1922. LON S106.

¹²⁷ See, for example, Georges Scelle, “Les contrôles financiers américains au Honduras et au Nicaragua,” *Revue générale du droit international public* 19 (1912): 126-133; Nicolas Politis, *La guerre Gréco-Turque au point de vue du droit international: contribution à l’étude de la question d’Orient* (Paris: A. Pedone, 1898), 146-152; Wilhelm Kaufmann, *The Egyptian State Debt and its Relation to International Law* (London: Fredc. C. Mathieson & Sons, 1892). See also Niels Petersson, *Anarchie und Weltrecht: das Deutsche Reich und die Institutionen der Weltwirtschaft 1890-1930* (Göttingen: Vandenhoeck & Ruprecht, 2009).

nonetheless bore unsettling similarities to the nineteenth century's systems of semi-colonial financial administration.¹²⁸

These continuities were obvious to critics of this new style of international financial control, and provided an easy target for attack. Around this time, the term “Ottomanization” (*Ottomanisierung*) was widely used in the German press to describe what would happen to Germany if a similar system of control were established in Berlin: this would reduce Germany to semi-colonial status by its former enemies.¹²⁹ At the Brussels Conference in 1920, similar charges were made against the Ter Meulen Scheme, which would result, some delegates argued, in the humiliating application of the Chinese or Turkish system to Western Europe.¹³⁰ For intellectuals on the left, the bailout of Austria made it clear that the League was little different from other institutions of European imperialism.¹³¹ These connections were also clear in the colonial world. In a 1926 scheme for India's development, the leading Indian economist and social scientist Benoy Kumar Sarkar insisted that the foreign capital needed for India's industrialization could not come at the expense of the onerous form of foreign control that had been brought to China, Turkey, and Austria.¹³² In Austria itself, newspapers on both left and right decried the League's importation of “western financial colonialism” to Vienna.¹³³ “Are we

¹²⁸ André Andréadès, “Les Contrôles Financiers Internationaux,” *Recueil des cours de l'Académie de droit international* 5 (1924): 1-108, at 7.

¹²⁹ Stefan Ihrig, *Atatürk in the Nazi Imagination* (Cambridge, MA: Harvard University Press, 2014), 26; Tooze, *The Deluge*, 370. Loucheur had apparently suggested such a scheme to British officials in December 1921 to facilitate the payment of German reparations, which was rejected by Lloyd George on the grounds that it would be treating Germany like Turkey or China. On this exchange, see Boyce, *The Great Interwar Crisis*, 115.

¹³⁰ H.A. Siepmann, “The International Financial Conference at Brussels,” *The Economic Journal* 30.120 (1920): 436-459, at

¹³¹ As Franz Borkenau later put it, “When England and France restored the finances of the Khedive, they did it without any League, to their economic and political advantage. The only difference between earlier reconstructions and those effected under the auspices of the League was that Geneva provided convenient machinery.” Franz Borkenau, *Socialism: National or International* (London: George Routledge & Sons, 1942), 148.

¹³² Benoy Kumar Sarkar, *A Scheme of Economic Development for Young India* (Calcutta: Oriental Library, 1926), 3-13.

¹³³ Berger, “The League of Nations and Interwar Austria,” 74.

in the state to accomplish [the demands of the League],“ one September 1922 editorial in the *Neue Freie Presse* put it, “without falling to the level of a Madagascar and without losing the last appearance of sovereignty?”¹³⁴

One of the principal anxieties brought to mind by these colonial precedents was the threat of military intervention. In the nineteenth century, it had been common for creditors to press their governments to invade debtor states in order to secure repayment in the case of default. When large sums were involved, the threat of gunboats was always close. In the case of Austria, Nixon feared that some groups might provoke a military intervention for private gain.¹³⁵ Others called for the threat of violence to be institutionalized at the League, which could place a multinational force of troops at the ready to march across the border so that no state would feel the need to do so itself.¹³⁶ To demonstrate to Austria that it would be safe from the threat of invasion, a guarantee was needed stating that none of the major states involved would take advantage of Austria’s weakened position to annex its territory. For a September 19, 1922 meeting of the Council’s Sub-Committee for the Austrian Question, a note was provided by the Secretariat outlining a list of treaties and guarantees of non-intervention that could be taken as a model for a document protecting Austria’s territorial independence, political integrity, and sovereignty. Some of these treaties had been signed after major wars, such as the 1815 declaration of the neutrality of Switzerland at the Congress of Vienna and the March 1856 treaty guaranteeing the independence and territorial integrity of the Ottoman Empire after the Crimean War. But most had come from agreements between the great powers and semi-colonial territories outside of Europe: the December 1906 convention, signed by France, Britain, and Italy,

¹³⁴ “Revue des commentaries de la presse sur la question autrichienne.” LON S97.

¹³⁵ Nixon, “Financial Intervention in Austria.” May 1922. *Manchester Guardian*. LON S106.

¹³⁶ “Note on conclusions to be arrived at by the Sub-committee on Austria.” 11 September 1922. LON S107.

guaranteeing the territorial status quo of Ethiopia; the July 1907 recognition of the independence and territorial integrity of China by Japan and Russia; and the August 1907 convention signed by Great Britain and Russia guaranteeing the integrity and independence of Persia, Afghanistan, and Tibet. There was also the July 1910 convention signed in St. Petersburg by Japan and Russia to maintain the status quo in Manchuria, and the February 1922 Conference on the Limitation of Empire in China.¹³⁷ The status of Austria had fallen so low that it was now seen as being as weak as these non-European states and territories and in need of a formal declaration that it would not be alienated of its territory and sovereignty at the hands of foreign powers. At the same time, Austria had to formally guarantee it would respect Article 88 of the Treaty of Saint-Germain and not join Germany in *Anschluss*.¹³⁸

On October 4, 1922, the League scheme was formally ratified with the signing of Protocols by the guaranteeing countries and by Austria. In December, Zimmerman began his work overseeing government reforms in Vienna, in the face of strong Social Democratic opposition.¹³⁹ By the end of the year, the prospects for the League's scheme had improved. At the end of the following February, after extensive planning at J.P. Morgan and the Bank of England, loans were arranged in the form of one-year Austrian treasury bonds. In March, negotiations began for a longer term loan. The first bonds floated on the European and American markets were popular, and by the early summer of 1923, foreign money was flowing into Austria.¹⁴⁰ The following several months saw a period of impressive economic expansion and a stock market boom, and then a financial panic, economic downturn, and a slowing of reforms in

¹³⁷ "Note du Secrétariat sur quelques précédents d'Actes Internationaux de garantie d'intégrité territoriale, etc." LON S107.

¹³⁸ "Project de déclaration garantissant l'indépendance de l'Autriche." LON S107.

¹³⁹ F.L. Carsten, *The First Austrian Republic 1918-1938* (Aldershot: Gower, 186), 51-53.

¹⁴⁰ Beyersdorf, "Credit or Chaos?," 146-148.

1924. They picked up again in 1925, and in June 1926, League officials declared Austria stabilized. Shortly thereafter, Zimmerman was decommissioned. The League had achieved its goals: not only had it prevented Austria from becoming “the vortex of a Central European whirlpool,” but it had demonstrated the power of an entirely new form of international governance.¹⁴¹

V. From Colonial Administration to International Governance

The apparent success of the League scheme had the immediate effect of increasing the confidence of the organization’s economic officials in the efficacy of their work and the importance of their vocation. Austria was “the first of the League’s many achievements,” as Strakosch put it, “which has made a deep impression upon the public mind.”¹⁴² After Austria, as another official later put it, “it was generally felt that the League’s star was rising.”¹⁴³ In his memoirs, Salter insisted that the Austrian crisis provided a timely opportunity for the League to demonstrate the value of its economic work, which in the summer of 1922 had still looked so unlikely to be effective that Nixon proposed winding it down completely.¹⁴⁴ The perception of success in Austria provided confidence that was necessary for later work, and gave rise to a doctrine that, immediately after the war, still seemed alien. “Principles that in 1922 were regarded as paradoxes,” Salter wrote, “or at the best as economic theories untried as a remedy for the unprecedented disorganisation caused by the war, had in 1924 become the axioms of proved

¹⁴¹ Arthur Sweetser to Thomas Lamont. October 11, 1922. LON S113.

¹⁴² Henry Strakosch, “Preface,” in de Bordes, *Austrian Crown*, ix. Another contemporary account called it the “best and most complete example of the working of the whole mechanism of the League as an interdependent whole.” Fanshawe, *Reconstruction*, 143.

¹⁴³ Walters, *A History of the League of Nations*, 210.

¹⁴⁴ Salter, *Memoirs of a Public Servant*, 174-175

experience – so completely accepted as to be regarded almost as platitudinous.”¹⁴⁵ At the end of the Second World War, the Swedish economist Gunnar Myrdal referred to Austria’s financial reconstruction as evidence of the fact that the League of Nations, the direct institutional predecessor to the organization where he would work until 1957, had not been a failure.¹⁴⁶

While most League officials insisted the reconstruction of Austria was a success, others have been more critical of their record. League officials exaggerated the success of Zimmerman’s reforms between 1923-26 in order to generate confidence in Austria’s solvency, some have argued, but in so doing gave cover to Austrian officials who looked to avoid undertaking controversial reforms. This led to a false sense of recovery in 1926, which was wiped away as soon as the Depression hit.¹⁴⁷ After the major Austrian commercial bank Creditanstalt declared bankruptcy in May 1931, League officials were sent back to Vienna to work on a new, emergency scheme of financial supervision and reconstruction. This program was now led by the Dutch financial official Meinoud Rost van Tonningen, who became a close confidant of Chancellor Engelbert Dollfuss, advising him to brutally suppress Social Democratic opposition to the League mandated reforms. Rost’s tenure in Vienna, like Zimmerman’s, was deeply unpopular among Austrians. The League’s scheme was decried by Austria’s Nazis as a plot by international Jewish financiers, even as Rost himself fully converted to Nazism during his time in Vienna, leading to his resignation from the League in August 1936 and a subsequent career as a leading Dutch fascist, Nazi collaborator, and SS official, before he committed suicide in 1945 in the face of Allied arrest.¹⁴⁸

¹⁴⁵ Salter, “Recent Progress in European Reconstruction.” Speech to the International Chamber of Commerce, 23 June 1925. LON C118.

¹⁴⁶ Gunnar Myrdal, *Warnung vor Friedensoptimismus* (Zürich: Europa, 1945), 81.

¹⁴⁷ Nathan Marcus, “Credibility, Confidence and Capital: Austrian reconstruction and the collapse of global finance, 1921-1931,” 138-267.

¹⁴⁸ Ibid, 87. See also Peter Berger, “Meinoud Marinus Rost van Tonningen: Vertreter des Völkerbundes in Österreich. Ein Forschungsbericht,” *Zeitgeschichte* 11/12 (1990-1991): 351-378 and *Im Schatten der Diktatur: Die*

In 1923, however, all of this was yet to come. Before the dramatic worsening of the situation in Vienna after 1931, the apparent success of the League's scheme provided a model that was eagerly adapted to other states. In May 1924, the League began a program of financial reconstruction in Budapest to tame Hungary's runaway postwar inflation directly modeled on its Austrian predecessor.¹⁴⁹ In 1923, the relocation into Greece of 1.5 million refugees from the Greco-Turkish War led to a request for a League-administered foreign loan and refugee resettlement program.¹⁵⁰ From 1926-28, a similar twinned program of refugee resettlement and financial assistance was carried out in Bulgaria.¹⁵¹ Smaller schemes of financial assistance were brought to Danzig and Estonia between 1925-97, and one planned in 1928, though never carried out, for Portugal. In Hungary and Bulgaria, these programs were overseen by a Commissioner General like Zimmerman: in Budapest, by the American banker Jeremiah Smith, Jr.; and in Sofia, by the French official René Charron. The Greek program was implemented by the U.S. officials C.P. Howland and Henry Morgenthau, the former American Ambassador to the Ottoman Empire and father of the future head of the U.S. Treasury.¹⁵²

Perhaps most crucially, the Austrian scheme provided a direct model for the 1924 Dawes Plan for the settlement of the German reparations problem. In the countless pages that have been

Finanzdiplomatie des Vertreters des Völkerbundes in Österreich, Meinoud Marinus Rost van Tonnigen 1931-1936 (Vienna: Böhlau, 2009), esp. 346-396. See also Siegfried Mattl, "Die Finanzdiktatur. Wirtschaftspolitik in Österreich 1933-1938," in „Austrofaschismus“ *Beiträge über Politik, Ökonomie und Kultur 1943-1938* (Vienna: Verlag für Gesellschaftskritik, 1984), 133-161. Rost grew up in the Dutch East Indies, and was the son of the Royal Dutch East Indies military officer Marinus Bernardus Rost van Tonnigen, who had commanded the bloody Dutch invasion of Bali in 1906.

¹⁴⁹ Zoltán Peterecz, *Jeremiah Smith, Jr. and Hungary, 1924-1926: The United States, the League of Nations, and the Financial Reconstruction of Hungary* (Berlin: De Gruyter, 2013).

¹⁵⁰ Martin Hill, "The League of Nations and the Work of Refugee Settlement and Financial Reconstruction in Greece," *Weltwirtschaftliches Archiv* 34 (1931): 265-283; Mark Mazower, *Greece and the Inter-war Economic Crisis* (Oxford: Oxford University Press, 1991), 73-112.

¹⁵¹ Adam Tooze and Martin Ivanov, "Discipline the 'Black Sheep of the Balkans': Financial Supervision and Sovereignty in Bulgaria, 1902-38," *Economic History Review* 64.1 (2011): 30-51.

¹⁵² On all of these different efforts, see *League of Nations Reconstruction Schemes in the Inter-War Period* (Geneva: League of Nations, 1945).

written on the plan, one recurring point is that it promised, like the Austrian scheme, to depoliticize an explosive political question by turning it into a problem for technical management – and even an opportunity for private business. On these readings, the Dawes Plan must be seen as the central plank in a larger American “progressive” style of economic diplomacy, overseen by private business, central bankers, and government officials, that focused on the gradual reform of European politics through economic assistance and technical expertise rather than the provision of security guarantees and formal alliances. This arrangement allowed U.S. officials to avoid domestic opposition to American involvement in European politics and facilitated the expansion of U.S. business on the continent. This also differentiated it from the Austrian rescue plan: in the case of the Dawes Plan, there was less reluctance to design a rescue scheme with such obviously close ties to private business and finance.¹⁵³ For some in the U.S., like Herbert Hoover and Owen Young, it also promised the key to postwar international economic rehabilitation. This idea was shared by some liberal elites in Germany as well, who emphasized the importance of the “policy of fulfillment” in terms of its importance for the “world economy.”¹⁵⁴ Others had even more ambitious hopes for the Dawes Plan as a tool of world economic rehabilitation: Young, for example, suggested using German reparation payments to fund a major program of “hothoused” international development, focusing on the construction of power stations and other infrastructure in China and the French and Belgian colonies, in order to increase external demand for mass-produced industrial goods from the U.S.¹⁵⁵ But more than any potential impact of the Dawes Plan on a little-understood

¹⁵³ I am grateful to Adam Tooze for this suggestion.

¹⁵⁴ Manfred Berg, “Germany and the United States: The Concept of World Economic Interdependence,” in Fink, Fröhn, and Heideking, eds., *Genoa, Rapallo and European Reconstruction*, 77-93.

¹⁵⁵ Frank Costigliola, *Awkward Dominion: American Political, Economic, and Cultural relations with Europe, 1919-1933* (Ithaca: Cornell University Press, 1984), 159-160, 117-125; Leffler, *Elusive Quest*.

interdependent international economic system, its appeal laid in its use of professional experts to transform a destabilizing international political struggle into a question for “technical economics.”¹⁵⁶

The same was true with Austria, where stalemate between the two major political parties had to be broken by a technical administration able to guarantee control and stability. While a return to peacetime economic conditions in the immediate aftermath of the Great War had involved the widespread abolition of wartime controls, the reconstruction of Europe depended on the creation of an entirely new form of control. In an August 1922 lecture to the British League of Nations Union, Nixon described the centrality of the problem of “control” to Europe’s reconstruction. “Austria can only be set on her feet through some machinery such as that used by the League, by an international arrangement which will provide a certain amount of control over Austria, at the same time guaranteeing her independence,” he argued. “Whilst that is true of the particular case of Austria it is true in varying respects of the whole future of the financial reconstruction of Europe.” This idea of managing a European state from outside, “whilst at the same time you want it to remain independent,” was a new proposition.¹⁵⁷ Salter later responded to criticism that the League had taken advantage of Austria’s weakness to institute a “foreign tyranny” with a similar suggestion. He insisted that the League’s program achieved the paradoxical result of controlling a state’s policies while at the same time respecting its sovereignty – or, at least, appearing to: “The greatest care has been taken to create a system at once elastic and, so far as possible, invisible,” he wrote, “a system which gives just so much

¹⁵⁶ Stephen A. Schuker, *The End of French Predominance in Europe*, 179; Costigliola, *Awkward Dominion*, 15-57, 118-119; Patrick Cohrs, *Unfinished Peace*, 603-604.

¹⁵⁷ “Notes of a lecture given by Mr. Nixon to members of the British League of Nations Union, at Geneva.” 7 August 1922. LON S123.

control as, at any moment, is essential to secure the desired object and no more; a method which automatically means less interference as the need is less.”¹⁵⁸

This system was not always successful. Zimmerman faced difficulties trying to realize the administrative reforms that he called for, and Austrian officials often dismissed his recommendations.¹⁵⁹ But his appointment itself in 1922 represented a dramatic innovation: he was a foreign official placed into the national administration of a Western European state, where he was given the powers of a semi-colonial financial controller – to oversee reforms, decide on distributional questions, and enforce austerity. It was only by augmenting the power of the state through the introduction of this system of external control – designed to neutralize the domestic political conflicts that appeared to be terminally weakening it – that the state could oversee a return to conditions of economic liberalism in which it was itself to play a less visible role.

Austria’s financial reconstruction thus gave rise to an entirely new vision of how to coordinate national and international administration. It represented the real birth of peacetime international economic governance, and was the first major postwar departure from prewar practices. According to Monnet, it “made an impression on people in the old citadels of administration, economics, and finance which the war – in appearance, at least – had not seriously shaken.”¹⁶⁰ And it represented, as the League economist J.B. Condliffe later put it, “the earliest, and in many respects the most convincing, proof of the efficacy of international cooperative action in the financial and economic sphere.”¹⁶¹ After Albania, this was the first attempt to give an international organization any real powers of control over how financial and

¹⁵⁸ Salter, “General Survey,” 82.

¹⁵⁹ See, for example, Marcus, “Credibility, Confidence and Capital: Austrian reconstruction and the collapse of global finance, 1921-1931,” 161-177

¹⁶⁰ Monnet, *Memoirs*, 95

¹⁶¹ League of Nations. *World Economic Survey 1931-32* (Geneva: League of Nations, 1932), 73.

fiscal policies at the national level were implemented. It was a crucial precedent for the later practices of financial surveillance designed by organizations such as the International Monetary Fund,¹⁶² as well as for the international economic development and technical assistance schemes put into place by organizations like the World Bank and the United Nations.¹⁶³ The League's program of international financial control provided an education in austerity for future use – even as many recognized that this same austerity had made the country ripe for the extremism of the 1930s. As Karl Polanyi later put it, “Vienna became the Mecca of the liberal economists, on account of a brilliantly successful operation on Austria's krone which the patient, unfortunately, did not survive.”¹⁶⁴ The financial lessons of the collapse of the Austro-Hungarian Empire, and the stabilization of its successor states by the League, were studied as late as the 1990s by economists at the IMF seeking to manage the breakup of the Soviet Union and the sovereign debt crisis of the Third World.¹⁶⁵ It was only once its direct colonial roots faded from view that the idea of international economic surveillance came to be taken seriously as a general practice. This was the result of an explicit act of political neutralization by officials at the League of Nations.

But by the mid-1920s, these officials had begun to worry that their methods would not be sustainable over the long-run, given the affront to national sovereignty that they represented.¹⁶⁶ They were right: the onerous nature of this control led countries in need of financial assistance,

¹⁶² Pauly, “The League of Nations and the Foreshadowing of the International Monetary Fund,” 1-52. Jeffrey Frieden makes brief reference to this development from semi-colonial international debt commissions to the work of the League (and Bank for International Settlements) and then to that of the IMF and World Bank in “Capital Politics: Creditors and the International Political Economy,” *Journal of Public Policy* 8.3/4 (1988): 265-286, at 275.

¹⁶³ On this point, see, for example, J.B. Condliffe, *Agenda for a Postwar World*, 179-180.

¹⁶⁴ Karl Polanyi, *The Great Transformation*, 25.

¹⁶⁵ Julio A. Santaella, “Stabilization Programs and External Enforcement. Experience from the 1920s,” *IMF Staff Papers* 40.3 (1993): 584-621; Peter Garber and Michael Spencer, “The Dissolution of the Austro-Hungarian Empire: Lessons for Currency Reform,” *IMF Working Paper* 92.66 (Washington, D.C.: International Monetary Fund, 1992).

¹⁶⁶ As late as 1928, Benjamin Strong insisted to Salter that he had to make clear to “possible clients” that League assistance would now mean advice and not Austrian-style external control. See “Note of Conversation between Governor Strong and Sir Arthur Salter.” May 25th, 1928. LON P141.

such as Belgium, Italy, Poland, and Romania, to turn to private banks, though the League loans provided the basic model for these other stabilization schemes.¹⁶⁷ Salter was anxious that the control developed for Austria and Hungary was what people thought of as the “League model” for financial assistance. He was desperate to clear up this “misapprehension,” since he thought this would prevent states from turning to the League for help in the future. Financial control had to give way to economic advising.¹⁶⁸

By this point, the mood about the prospects for a European recovery was changing. Optimism was rising. Earlier fears about the inexorable spread of Bolshevism looked exaggerated. The countries that the League had rescued were recovering, and the general economic life of Europe seemed to be improving. The major problems remaining – reparations and inter-Allied debts – appeared to be solvable. By the end of the 1920s, most states had returned to the gold standard. Progress had been made on the settling of borders and hyperinflations had been checked. The Locarno Agreement of October 1925 was widely seen as facilitating a return to capitalist normalcy.¹⁶⁹ Europe’s tentative recovery seemed to augur a worldwide return to stability, as people began to repair “the disorganisation and maladjustment, which, for the world as a whole, was so much more serious a result of the war than material destruction.”¹⁷⁰ At the end of the decade, the Financial Committee was beginning to work on a new procedure of financial rescue that relied less on an “onerous and rather humiliating form of control.”¹⁷¹

¹⁶⁷ Richard Meyer, *Bankers’ Diplomacy*, 1-15. Meyer suggests that a more flexible form of control, which could be dialed up or down depending on context, might have allowed the League to take charge of these schemes of the second half of the 1920s, which in turn would have made them far less political and tied up with British-French competition over European stabilization.

¹⁶⁸ Salter to Montagu Norman. 2nd June 1927. Salter Papers. SALT 1/4. CCA.

¹⁶⁹ Leffler, *Elusive Quest*, 118-119.

¹⁷⁰ Salter, “Recent Progress in European Reconstruction.” Speech to the International Chamber of Commerce, 23 June 1925. LON C118.

¹⁷¹ Salter, *Memoirs of a Public Servant*, 182.

Then the world was transformed completely by the outbreak of the Depression. After the Wall Street crash of October 1929, some began to think that this kind of case by case method of financial intervention was not bold enough to solve a crisis of this magnitude. This kind of approach, led by bankers and then by the League of Nations, would not be able to rescue the world's economic system after 1929. The biggest problem was now seen as a lack of knowledge, since the system that had emerged haphazardly in the nineteenth century, and was only now being put back together on an ad hoc basis, "was not rationalized or understood as a whole by those who directed it," as Salter later put it.¹⁷² In the 1920s, international economic experts had successfully adapted prewar colonial methods to postwar international challenges. Gaining this knowledge of the world's economic system "as a whole" was the next major challenge they would face.

¹⁷² Ibid., 191.

PART II:
RESEARCH

CHAPTER THREE

Understanding Interdependence: Crisis, Unemployment, and the Global Business Cycle, 1920-29

I. Economists in International Organizations after 1918

During the First World War and the early 1920s, the nature of expertise mobilized for international economic management was generally a form of practical knowledge developed in private finance, business, and government offices over the previous decades. The international economic experts who took charge of postwar reconstruction and stabilization were drawn mostly from government offices, central banks, and private finance and business. It was a relatively small, though highly multinational, group. The European members of the Dawes Committee were largely the same people that had been working on the reparations problem since the end of the war, with the Committee representing, as one observer put it, “little more than a repaneling of the best brains of the Old World.”¹ The experts taking charge of economic work at the League of Nations and the ILO came from a similar professional pool, taken mostly from European war ministries, treasuries, and commercial and colonial offices. Some were also statisticians, lawyers, journalists, or experts in specific commodities, infrastructure, tariffs, and food.

Notably absent from this work were many professional economists. This mirrored the situation on the national level, where very few academically trained economists held positions of significant influence in state bureaucracies. It was not until the 1960s, for example, that the British state reliably employed large numbers of economists. Most that had gone to work for the

¹ George Auld, *The Dawes Plan and the New Economics* (Garden City: Doubleday, Page and Company, 1927), 73, 77.

state during World War II returned to universities at war's end.² Nor did central bankers tend to draw on the expertise of professional economists: the gold-exchange standard was “a practitioner's idea,” as Joseph Schumpeter once put it, which required little in the way of “scientific analysis.”³ Officials at the League of Nations did cultivate relations with economists during this period and make use of their expertise for discrete investigations and reports. But the major problems these officials dealt with – designing international financial rescues or simplifying non-tariff barriers to trade – did not seem to require much in the way of elaborate theoretical support. The ILO was quicker to make use of the services of professional economists, but it still had an uncertain relationship with them. “There is a general tendency among the initiated to believe,” as the ILO-employed economist J.R. Bellerby put it in 1923, “that statistics can be made to prove anything and that economics is equally unreliable.”⁴

While there were few professional economists on the staffs of the new international organizations in the first half of the 1920s, these years did see the emergence of a new role for the economist as commentator on international affairs, led by the example of Keynes in the immediate aftermath of the war.⁵ It also saw important transformations in international economic thought, with work on international finance undergoing particularly rapid development after 1918. International monetary economics in its modern form was developed in response to debates on reparations, inter-Allied debts, and the breakdown of the gold standard,⁶ though some have suggested that the confusion in monetary theory of this period exacerbated the challenges of

² Keith Tribe, *The Economy of the Word: Language, History and Economics* (Oxford: Oxford University Press, 2014), 90.

³ Joseph Schumpeter, *History of Economic Analysis* (Oxford: Oxford University Press, 1954), 1042, n. 2.

⁴ J.R. Bellerby to Alexander Loveday. 13 March 1923. LON S130.

⁵ Donald Markwell, *John Maynard Keynes and International Relations: Economic Paths to War and Peace* (Oxford: Oxford University Press, 2006), 90-139.

⁶ M. June Flanders, *International Monetary Economics, 1870-1960* (Cambridge: Cambridge University Press, 1990); Adam Tooze, *Statistics and The German State*, 5.

postwar stabilization and hastened the outbreak of the Depression.⁷ Theoretical work on trade, by contrast, was still largely conducted along the lines laid down by the classical political economists of the nineteenth century, with the theory of comparative advantage forming the principal object of discussion in works on international commerce by scholars like Harvard's Frank Taussig and his students Frank Graham, James Angell, and Jacob Viner.⁸ The Swedish economist Eli Heckscher had developed a path-breaking general equilibrium model of international trade, further refined by his student Bertil Ohlin in 1924, but their work remained untranslated and thus mostly inaccessible to a larger international audience until after the outbreak of the Depression.⁹ Few who were interested in questions of international trade and finance described their work as being concerned with any kind of holistic world economic system, as such, and studies of the structure and behavior of the world economy were still rare.

Those that did appear were still almost exclusively written in German. These drew on the "theory of world economy" developed most influentially by Bernhard Harms, which investigated the conditions that made possible the international division of labor and commercial exchange: the geographical distribution of natural resources, global differences in climate and soil, the migration of people and capital, overseas colonization, international law, demography, and technological change. Harms's theories achieved a wider audience outside of German-speaking Europe during these years, and became particularly influential among economists and social scientists in the U.S., South Asia, and the Soviet Union.¹⁰ Nicolai Bukharin's influential 1915 *Imperialism and World Economy*, for example, cited Harms nearly as many times as it did Marx.

⁷ Dan P. Silverman, *Reconstructing Europe After the Great War*, 40-61.

⁸ James W. Angell, *Theory of International Prices*, 80-115.

⁹ M. June Flanders, "History of International Economics," in Steven N. Durlauf and Lawrence E. Blume eds., *The New Palgrave Dictionary of Economics*, 2nd ed. (New York: Palgrave Macmillan, 2008). Available at <http://www.dictionaryofeconomics.com/article?id=pde2008_I000266>.

¹⁰ On the South Asian reception of these ideas, see Kris Manjappa, *Age of Entanglement: German and Indian Intellectuals Across Empire* (Cambridge, MA: Harvard University Press, 2014), 143-170.

Taking its departure from this German tradition, the 1928 *International Economic Relations* by the American political scientist and State Department official John Donaldson became one of the earliest studies of the world economy to be read by English-language theorists of international order.¹¹ Like the German theorists from whom he took inspiration, Donaldson rejected classical notions of international commerce, which focused narrowly on trade and related questions of finance and shipping, and sought instead to elaborate a “total structural, organic concept of the national and international economic and politico-economic order” that took account of questions of geography, empire, international law, and race.¹²

Until the early 1930s, the study of the “world economy” was still largely seen as a specifically German vocation. In a programmatic work on international economic cooperation from 1933, another U.S. State Department official was forced to admit the difficulty of defining what the “world economy” actually was. The best he could do was quote the definition provided by Harms in the original German, and praise him for having pioneered a practical science of “world economics” that could now guide the economic work of the League and the ILO.¹³

But as these two organizations gradually came to bring more professional economists into their service in the 1920s, there was little knowledge of this German study of “world economics.” The kind of economics these organizations sought to make use of, by contrast, was specifically national in focus, centered on a new empirical science of business cycles and economic forecasting. In part, this reflected the priority of ILO officials, who were eager to find a scientific account of the devastating unemployment caused by the economic crisis of 1920-1

¹¹ Hersch Lauterpacht, Review of Donaldson, “International Economic Relations: A Treatise on World Economy and World Politics,” *Journal of Comparative Legislation and International Law* 12.1 (1930): 134-136.

¹² John Donaldson, *International Economic Relations: A Treatise on World Economy and World Politics* (New York: London Longmans, Green and Co., 1928), xvii.

¹³ Wallace McClure, *World Prosperity as Sought through the Economic Work of the League of Nations* (New York: Macmillan, 1933), xxxiv-xxxv.

and who were quicker to initiate a program of economic research than their counterparts at the League. This study of unemployment, they thought, required deeper knowledge of the business cycle. But they could not establish an international program of business cycle research without the collaboration of League officials, who were formally responsible for economic questions and who held the cache of statistical data needed for any serious international study of cycles. League officials were reluctant to join this effort, however, as they worried that the study of business cycles and economic crisis would place them into the dangerous position of making unorthodox policy recommendations to member states. Their reluctance in the face of this political uncertainty became the chief obstacle standing in the way of the international study of what Salter referred to as the world economic system “as a whole.”

But at the same time, a new form of economic expertise, one with closer ties to academia and economic theory, began to take on a larger role in international organizations in the 1920s, and gradually reshaped discussion of policy to newer topics – like cycles and crisis – and away from exclusive focus on traditional topics, like trade and finance, and the highly politicized problems of reparations and debt. As economists took up their earliest significant roles in the postwar international organizations, they began to study the nature of international economic interdependence. And it was only as this collaborative research progressed that international officials came to see the importance of studying the relation different national economies in totalizing and systemic terms – though this intellectual innovation did not shape policy until after the outbreak of the Depression. What prevented the “world economy” from being taken for granted as an object of policy was the wariness of League officials about involvement with the ILO’s research project, which they accurately saw as being motivated by an anti-gold standard agenda. Officials from the League and the ILO could agree only on the business-friendly study

of economic forecasting, which did not seem to imply the same kind of unorthodox monetary policies. In the second half of the 1920s, as officials from the two organizations attempted to internationalize methods of forecasting that had been developed on the national level, the scarcity of the data they could draw on – and the greater complexity of studying a world system than a national one – stymied their efforts. These challenges held back the statistical study of economic interdependence for years to come. But even in the face of these constraints, it was becoming clear, for the first time, that the world economy could be understood – and that it had to become an object of bureaucratic management.

II. The ILO and the Search for a Theory of Crisis and Unemployment, 1921-23

The international study of economic crisis and cycles began haltingly in the early 1920s with the ILO's move to sponsor research on the nature and causes of unemployment. At the founding conference of the organization in Washington, D.C. in November 1919, a resolution was passed calling for the establishment of a commission to oversee the collection and publication of employment data at the national level and the rendering of it into internationally comparable form. Many hoped that the new powers of the ILO promised the realization of a long-standing internationalist goal: the harnessing of technical expertise for the improvement of conditions of employment across the industrialized world. Before the war, work on this project had been led by two private organizations, the International Statistical Institution and the Association internationale pour la lutte contre le chômage (AILCC). The ILO's early research work on unemployment was directed by a group of officials who had played leading roles in this prewar transnational reform milieu, including the two founders of the AILCC, the French

economist Max Lazard and the Belgian lawyer Louis Varlez.¹⁴ The aim of Lazard and Varlez's efforts at the ILO was to put the collective expertise of those who had shaped employment policies and pioneered the study of unemployment before the war into the service of the "sociological laboratory" of the new international organization. One such expert was William Beveridge, director of the London School of Economics (LSE) and one of the architects of the unemployment insurance system established in Britain in 1911.¹⁵ By bringing the "world of science" into collaboration with the ILO, Lazard and Varlez hoped to improve the statistical understanding of unemployment and direct new research on its underlying economic causes.¹⁶

Since the late nineteenth century, the international study of unemployment had faced several challenges. First, data collected on employment by public and private organizations at the national level tended to be highly disorganized and incomplete. Workers were usually reluctant to voluntarily provide information on their employment status, and most official census-makers relied on rudimentary and unstandardized techniques. There was no universal definition of unemployment they drew on, nor even a standard definition of who counted as a "worker."¹⁷ Nor was it clear whether women, "persons who are not dependent on finding work for their livelihood," should be automatically counted as unemployed.¹⁸ Some countries, like the U.S., did

¹⁴ "Constitution de la Commission du Chômage." 8 June 1920. ILO U 1/1/1. For more on the origins of the ILO's unemployment work out of prewar labor internationalism, see Ingrid Liebeskind Sauthier, "Modern Unemployment: From the Creation of the Concept to the International Labour Office's First Standards," in Kott and Droux, eds., *Globalizing Social Rights: The International Labour Organization and Beyond*, 67-84. See also Isabelle Lespinet-Moret and Ingrid Liebeskind-Sauthier, "Albert Thomas, Le BIT, et le chômage: expertise, catégorisation et action politique internationale." *Les Cahiers Irice 2* (2008): 157-179; Bruno Cabanes, *The Great War and the Origins of Humanitarianism, 1918-1924* (Cambridge: Cambridge University Press, 2014), 122-126.

¹⁵ Max Lazard to Antoine Fleury. 18 July 1922. ILO U6/1/1.

¹⁶ Louis Varlez to William Beveridge, 20 October 1920. ILO U 2/2/1.

¹⁷ International Labour Office, *Methods of Compiling Statistics of Unemployment: Replies of the Governments* (Geneva, 1922), 20.

¹⁸ "International Unemployment Commission." ILO U3/1/1; "La Statistique Internationale du Chômage. Rapport à la Commission Technique du Chômage Instituée auprès du Bureau International du Travail." ILO U3/2/1.

not publish official unemployment figures at all.¹⁹ Statistics that were collected within one country and one industry were difficult to translate into other national and occupational contexts. It was not obvious how to compare unemployment numbers from Norway, for example, where there were 86 different recognized professions and branches of industry, with those from Germany, where there were sixteen with fifty subdivisions.²⁰ What ILO officials thought was needed was a standardized list of the universal occupations, present in every country, weighed according to their importance, as well as more systematic attempts to collect this data on the national level.²¹

The difficulty of improving the international collection and standardization of unemployment data was matched by that of understanding its underlying economic causes. In the first half of the 1920s, the search for these causes became a central focus of the ILO's research work. The attempt to develop an economics of employment was still new. Until the last two decades of the nineteenth century, unemployment had not widely been thought of as an economic problem, strictly speaking, but as a social or a moral one.²² The term itself was not used until the end of the 1880s.²³ The most promising approach was offered by new research on the periodic boom and bust cycles that had afflicted industrial societies since the early nineteenth century. These fluctuations, referred to as "business cycles," "trade cycles," or "Conjuncture"

¹⁹ International Labour Office, *Statistics of Unemployment in Various Countries: 1910 to 1922* (Geneva: International Labour Office, 1922), 28.

²⁰ "La Statistique Internationale du Chômage. Rapport à la Commission Technique du Chômage Instituée auprès du Bureau International du Travail." ILO U3/2/1.

²¹ "International Unemployment Commission." ILO U3/1/1; "La Statistique Internationale du Chômage. Rapport à la Commission Technique du Chômage Instituée auprès du Bureau International du Travail." ILO U3/2/1.

²² On this point, see, for example, John A. Garraty, *Unemployment in History: Economic Thought and Public Policy* (New York: Harper & Row, 1978), 103-145; Robert Salais, Nicolas Baverez, and Bénédicte Reynaud, eds., *L'invention du chômage: histoire et transformations d'une catégorie en France des années 1890 aux années 1980* (Paris: Presses Universitaires de France, 1986), 30-64; M. Mansfield, R. Salais, and N. Whiteside, eds., *Aux sources du chômage 1880-1914: Une comparaison interdisciplinaire entre la France et la Grande-Bretagne* (Paris: Belin, 1994).

²³ Charles Feinstein, Peter Temin, and Giovanni Toniolo, *The European Economy Between the Wars*, 10.

(from the German term, *Konjunktur*, originally a medieval astrological word for “constellation”),²⁴ had come to be seen by the turn of twentieth century as the naturally occurring rhythmical movement from boom to crisis, liquidation, depression, recovery, and back again. It was obvious these periodic downturns put people out of work. But their causes were still mysterious, and they remained one of the more controversial topics in economics well into the 1930s.²⁵ “The question of the relation between unemployment and the general rhythm of production is surely the essential question,” as Lazard put it in 1922. “On the other hand, it’s terribly difficult, not only to solve, but even to study.” Whether or not these breaks in the “general rhythm of production” could be mitigated by states or international organizations was another, more controversial question entirely.²⁶

Empirical research on business cycles was still a young branch of economics, and almost no work had been done on cycles from an international perspective. Crises and panics had been well-known phenomena for centuries, but it was not until the 1860s that they began to be widely understood as the natural transition point between periodically-recurring boom and bust cycles. Research on the causes of singular crises was now complemented by the study of their periodical return. This theoretical innovation, offered first by the French political economist Clément Juglar and the British economist William Stanley Jevons, gave rise to a new research agenda, and led to a dramatic expansion of the study of business cycles across Europe and the U.S. around the turn of the twentieth century. Various explanations were offered for their cause. Some saw crises as the result of periodic industrial overproduction; others, as being tied directly to the volume of

²⁴ Ernst Wagemann, *Economic Rhythm: A Theory of Business Cycles*, trans. D.H. Blalock (New York: McGraw Hill, 1930), 50.

²⁵ On this point, see, for example, Harold E. Batson, ed., *A Select Bibliography of Modern Economic Theory 1870-1929* (London: George Routledge, 1930), 90.

²⁶ Max Lazard to Antoine Fleury. 18 July 1922. ILO U6/1/1.

credit. An array of psychological, technological, meteorological, and political explanations abounded. In the 1920s, research institutions dedicated to the statistical analysis of business cycles, and to the prediction of their future behavior, were founded across Europe and the U.S, with the first and most influential, the Harvard Committee on Economic Research, opening its doors in 1917. Its Soviet counterpart, the Moscow Institute of Conjuncture, was founded in 1920 by the Russian economist Nicolai Kondratiev. Similar organizations were established in Britain, under the directorship of Keynes, Beveridge, and the LSE statistician Arthur Bowley, and in France, under Lucien March at the University of Paris. A regular statistical publication on cycles, edited by Corrado Gini, appeared in Italy in 1925. In Oslo, Rotterdam, and Leuven, similar institutions were directed or staffed by leading economists, such as Ragnar Frisch, Jan Tinbergen, and Leon Dupriez, respectively.²⁷ That same year, the Institut für Konjunkturforschung (IfK) was founded by the German statistician Ernst Wagemann in Berlin. While it was modeled on the Harvard Economic Service, the IfK functioned more as an appendage of the German state, providing statistical information first to the Weimar government and then for the management of the Nazi war economy.²⁸ In 1926, Ludwig von Mises opened an Austrian Institute for Business Cycle Research in Vienna, where the careers of the young economists Friedrich A. Hayek and his successor Oskar Morgenstern first took off. It was out of this 1920s research on business cycles – the most exciting field in economics, around the world, during the decade – that the modern form of macroeconomics, which exists to this day, soon emerged.²⁹

²⁷ Francisco Louçã, *The Years of High Econometrics: A Short History of the Generation that Reinvented Economics* (London: Routledge, 2007), 49.

²⁸ On Wagemann, see Tooze, *Statistics and the German State*, 103-113 and “Weimar’s Statistical Economics: Ernst Wagemann, the Reich’s Statistical Office, and the Institute for Business-Cycle Research, 1925-1933,” *Economic History Review* 52.3 (1999): 523-543.

²⁹ This history is taken largely from Morgan, *The History of Econometric Ideas*, 18-72; Tooze, *Statistics and the German State*, 105-109; Angus Maddison, “Fluctuations in the momentum of growth within the

The crisis of 1920-1 was the most recent and extreme example of this kind of cyclical downturn, and it gave urgency to the ILO's efforts to study the relationship between business cycles and unemployment. This global deflationary crisis came as the result of policies by governments across the industrialized world to quell the unprecedented inflations of the immediate postwar period. It had begun in the spring of 1920 in Japan, with crashing silk prices leading to chaos on international commodity markets. Interest rate hikes in the U.S. and Britain followed, and prices and employment tumbled. The crisis spread across the world, reaching Australia, South Africa, and most of Western and Northern Europe by the end of the year, as well as Central and Eastern Europe by 1922 and 1923.³⁰ It was one of the first to be thought of as a truly "world crisis," and led to some of the earliest government reports stressing the dependence of domestic economic downturns on foreign factors.³¹ While the link between trade cycles and unemployment had been noticed by some policymakers during the 1890s depression, it was the 1920-1 global downturn that first really brought the cyclical nature of crises to government attention.³² In the U.S., the 1920-1 crisis forced the Secretary of Commerce Herbert Hoover to convene a Conference on Unemployment in September 1921 and appoint a Committee of Unemployment and Business Cycles, chaired by Owen Young and staffing other influential economic experts such as Mary van Kleeck and Edward Eyre Hunt.³³ While that crisis may have been the direct outcome of policies designed to break the back of a confident far left,

capitalist epoch," *Cliometrica* (2007): 145-175. See also David Laidler, *Fabricating the Keynesian Revolution: Studies of the Inter-war Literature on Money, the Cycle, and Unemployment* (Cambridge: Cambridge University Press, 1999).

³⁰ Barry Eichengreen, *Golden Fetters*, 115.

³¹ Melyvn Leffler, *Elusive Quest*, 401-41.

³² T.J. Hatton and Barry Eichengreen, "Interwar Unemployment: An Overview," in Eichengreen and Hatton, eds., *Interwar Unemployment in International Perspective* (Dordrecht: Kluwer Academic Publishers, 1988), 1-59, at 3.

³³ *Business Cycles and Unemployment* (New York: McGraw Hill, 1923), xi-31. On the development of modern unemployment policies in the U.S. in response to the 1920-1 crisis, see also Daniel Amsterdam, "Before the Roar: U.S. Unemployment Relief after World War I and the Long History of a Paternalist Welfare Policy," *Journal of American History* 101.4 (2015): 1123-1143.

around the world, in the immediate aftermath of the war,³⁴ it also provided an important stimulus to the efforts of labor activists and economic experts at the ILO to design a new and ambitious program of research on unemployment, expansionary monetary policies, and alternatives to the traditional gold standard system.³⁵

But this program of research was not easy to initiate. Not only was it difficult to collect and standardize the amount of data on employment and other economic conditions it required, but League officials with ties to central banks and private financial institutions resisted these efforts. Beyond these epistemic and political challenges, there was also the more prosaic problem of bureaucratic competency: the League sought to keep to keep the ILO from undertaking any direct research on economic problems, which were formally the League's responsibility. The League also had authority over the collection of the economic and financial statistics that were needed for the study of the business cycle. The League's statistical work had begun in 1919 on the basis of the international economic data-collection pioneered by the Supreme Economic Council in the immediate aftermath of the war. It was led by the Scottish academic and civil servant Alexander Loveday, who joined the League's Secretariat in 1919 from the British War Office (and had taught political philosophy at Leipzig University and economics at Cambridge before the war). ILO officials pressed the League to use this statistical data for a study of unemployment. At the 1921 and 1922 International Labour Conferences, resolutions were passed calling for collaboration between the two organizations on economic research and for the League's Secretariat to provide the ILO with the data its officials requested. These requests were

³⁴ Adam Tooze, *The Deluge*, 353-354. For an alternative, and polemical, libertarian account of the crisis, see James Grant, *The Forgotten Depression: 1921: The Crash that Cured Itself* (New York: Simon & Schuster, 2014).

³⁵ On the importance of the 1920-1 crisis for the development of the ILO's earliest research and advocacy agendas, see also Olivier Feiertag, "Réguler la mondialisation: Albert Thomas, les débuts du BIT et la crise économique mondiale de 1920-1923," *Les cahiers IRICE* 2 (2008): 127-155.

formally agreed to at the Assembly in September 1922, but they met with strong opposition, largely due to uncertainty about the policy recommendations such research would entail, which were likely to be well to the left of the views of most League officials. Some, like Salter, were convinced that non-socialist left parties had to become crucial partners in the League's economic programs if these were to be successful.³⁶ But in the early 1920s, he and his colleagues kept their counterparts at the ILO at arm's length: the status of the League's Economic and Financial Section was still precarious and could be jeopardized by involvement with an unorthodox research agenda.

In March 1923, Albert Thomas, the ILO's director, wrote to Eric Drummond explaining why this collaboration was needed. The ILO was being pressured by European labor representatives to devise a comprehensive approach to reconstruction in order to solve the epidemic of postwar unemployment. It was obvious that returning to the gold standard was bound to result in crippling deflation and further unemployment. But it was not clear what alternatives were possible. Further research was needed on the laws that caused the periodical return of unemployment, "almost in a circle," under the "modern regime of international economics." Thomas insisted that a collaborative approach to this research would redound to the benefit of the League: if it could "stabilise and partially regulate international economic activity for the purpose of regulating the use of labour," the League "would deserve fresh gratitude from the people." Before the war, workers had seen revolution as the only solution to cyclically recurring unemployment; now, "systematic international efforts" could be offered as an alternative.³⁷ This was an argument that was common to the ILO's backers: if the organization

³⁶ "Guiding Principle." December 1925. Salter Papers. SALT 1/5.

³⁷ Albert Thomas to Eric Drummond, 22 March 1923. LON R378/21233/21233.

could demonstrate the attainability of social justice within a capitalist order, it would provide a valuable tool in the fight against Bolshevism.³⁸

Thomas's invocation of the counterrevolutionary potential of economic research failed to move his League counterparts. In May, Salter wrote back to Thomas that the Economic Committee had decided to leave unemployment research to the ILO alone. While this was surely an economic problem in some sense, since "everything that affects the economic and financial prosperity of the world" affected conditions of employment, it should be thought of more as a social problem than an economic one. As such, unemployment would remain the sole responsibility of the ILO. Getting involved in any study of cycles and crises risked putting the League's economic organs into the dangerous position of giving their imprimatur to controversial policy recommendations. The League could provide the ILO with some information on prices, discount rates, and exchange variations, but this data had to be "objective and prepared in a form that does not imply or involve views of policy." No assessment would be given on matters that "now form the subject of very extensive scientific study and controversy," nor any "deductions... of a kind which, from the scientific point of view, would be either speculative or controversial." A "barometrical table" measuring economic fluctuations would not be created. Any study of crisis was the sole responsibility of the League, but consideration of how crisis affected unemployment, and what could be done about it, was off the table. The ILO could deal with the social consequences of unemployment, but these would not become a problem for the League.³⁹ Thomas criticized this insistence on the League's monopoly on economic and financial research, and its detachment from social questions. This arrangement, he

³⁸ See, for example, James T. Shotwell "The International Labour Organization as an Alternative to Violent Revolution," *Annals of the American Academy of Political and Social Science* 166 (1933): 18-25.

³⁹ Arthur Salter to Albert Thomas. 19 May 1923. LON R378/21233/21233.

wrote to Salter in December 1923, had led to predictably disastrous results for labor, with “measures of an economic and financial nature... often adopted without any regard for the effects they may have on the living conditions of workers.” Calls at the 1920 Brussels Conference to abolish unemployment pay was just one example of efforts by League officials to hasten a return to prewar practices that, while perhaps “justified from a strictly financial point of view,” threatened “very dangerous social consequences.”⁴⁰

III. The Beginning of International Research on Economic Crisis, 1923-26

There was a fundamental political logic to this supposed division of labor between the two organizations: those concerned with upholding orthodoxy looked to maintain a rigid division between social and economic questions, and to hand off responsibility for the former to an organization formally barred from pronouncing on the latter. But those looking to stabilize labor’s postwar position insisted that the two could not be considered in isolation from each other.⁴¹ A May 1923 memo from the Economic Committee made this point in detail. The Economic and Financial Committees took responsibility for all questions bearing on the “encouragement and discouragement of economic activity,” but they were only indirectly concerned with the welfare of workers. Common ground might be found between the League and the ILO on the question of “production” – how it was shaped by general economic conditions, on the one hand, and how it impacted conditions of labor, on the other – as well as a

⁴⁰ Albert Thomas to Arthur Salter. 17 December 1923. LON R378/21233/21233.

⁴¹ On the separation of the economic and social as a source of competition between the two organizations, see also Patricia Clavin, “What’s in a Living Standard?,” 234-235. On this idea, viewed from the later vantage point of the Depression, see also the 1931 speech from ILO Director EJ Phelan, “International Co-operation and Unemployment,” in Quincy Wright, ed., *Unemployment as a World-Problem* (Chicago: University of Chicago Press, 1931), 151-195 at 194.

study of cyclical economic movements.⁴² But as Loveday reminded his colleagues, the Secretariat had so far refrained from undertaking any kind of major scientific investigation on questions like trade cycles, limiting itself only to the collection of statistical data.⁴³

The ILO's prompting led in September 1923 to the formation of a sub-Committee on Economic Crises at the Economic Committee. It was the first international office tasked with the study of economic crisis, though no economists were on its staff. Its members included Hubert Llewellyn Smith, a social scientist and government adviser from the left flank of the British Liberal Party, who had written several of Britain's prewar industrial and labor policies at the Board of Trade, where he had also designed techniques of labor arbitration and minimum wage legislation and worked with Beveridge to pass the 1909 and 1911 Unemployment Insurance Acts. During the war, Smith had co-organized the Ministry of Munitions with Lloyd George and in 1918-19 led the British economic section at the Paris Peace Conference. In 1919, he was appointed the first Economic Adviser to the British state, a position created to facilitate negotiation on the new kinds of international economic problems expected to come in the war's wake. He was instrumental in bringing the first economic experts into the service of the British state, and joined the League's Economic Committee in 1920.⁴⁴ His French counterpart was Daniel Serruys, one of Etienne Clémentel's closest expert advisors during the war, who served as head of the French economic delegation to the Paris Peace Conference before joining the French Ministry of Commerce as Director of Commercial Agreements. The sub-committee also staffed

⁴² "Collaboration with the International Labour Office in the Enquiry on Unemployment." Note by Sir Hubert Llewellyn Smith. LON R378/21233/21233.

⁴³ "Note by the Secretariat with Reference to Work on Unemployment Inquiry." 3 May 1923. LON R378 21233/21233.

⁴⁴ Roger Davidson, "Smith, Sir Hubert Llewellyn (1864–1945)," *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004). Online Edition, Jan 2008 [<http://www.oxforddnb.com.ezp-prod1.hul.harvard.edu/view/article/36147>, accessed 27 June 2016]; Alec Cairncross, *The Economic Section, 1939-1961: A Study in Economic Advising* (London: Routledge, 1989), 2-3.

Jan Dvořáček, Chief of the Economic Section of the Czechoslovak Foreign Ministry, and Antoine Wieniawski, president of the Polish Bank of Commerce. Loveday sat in from the Secretariat, and at the head of the body was Henri Heer, President of the Swiss Co-operative Society for the Promotion of Foreign Trade.

Discussion at the first meetings of the new committee, from September 1923 through March 1924, turned on the financial questions that had dominated debates about postwar reconstruction – inflation, above all else – but also on other “anti-economic conditions” adversely affecting industry in various states: boll weevil outbreaks, raw material shortages, poor harvests, and labor immobility. There was confusion, however, about what the aims of the committee were.⁴⁵ At a February 1924 meeting, Wieniawski suggested the group should aim to “enlighten public opinion” about the ineffectiveness, and even dangers, of state intervention during a crisis. The technocratic Smith disagreed: the time had come for the League to offer positive measures to deal with economic hardship, not just the negative one that it had since the 1920 Brussels Conference – namely, to slash public spending and balance budgets. This disagreement illuminated the principal challenge faced by this new committee: the study of crisis inevitably raised the question of the state’s role in dealing with it. But the committee was not allowed to answer this question, and had to avoid making policy recommendations.⁴⁶ The question of crisis would be remodeled into a basic problem of technical management that was compatible with liberal assumptions about the economic role of government. Even if someone like Smith had more ambitious aims, the nature of his position at the League forced his suggestions into line with orthodoxy. These officials were not ignorant of theory or its political

⁴⁵ Sub-Committee for the Investigation of Problems Bearing Upon the Economic Crisis. Minutes of the Meeting held at Geneva on September 13th, 1923 at 3 pm. LON E/Crise Economique (hereafter, E/C.E./)/P.V.I.

⁴⁶ Procès-verbal agrégé de la réunion tenue a Genève le 29 février 1924.” LON E/C.E./3^e Session/P.V.1 & 2.

stakes: Loveday had deep knowledge of literature on crisis dating well back into the nineteenth century, but he was limited in what he could do with it.⁴⁷

This reluctance to broach controversy was evident in the committee's first study on crises, written by Smith, which focused on the least immediately political explanation of their cause: the mass irrationality, rooted in human psychology, of the public reaction to bad economic news. Theories of cycles that implied new policies by government and central banks, particularly those emphasizing the monetary causes of cycles, needed further study before any position could be taken on them. Price stabilization, now a dominant policy ideal at the ILO, was bound to be rejected by business, and central banks could not be trusted to act in the public good if given discretionary powers. The role of the Sub-committee on Crisis could only be educative: it would publicize information in order to prevent the public from responding irrationally en masse to normal fluctuations.⁴⁸ In April 1924, Heer laid out a research method for doing so: the League would centralize in Geneva statistics needed to predict future fluctuations. They would collect data on important industries and financial institutions, via telegraph, for the first ten days of every month. Analysis of this data would make visible an image of the "economy of a country,

⁴⁷ In March 1924, Loveday provided a bibliography for the Sub-Committee on Economic Crises to be used for a future study on cycles, listing the major works on the topic from the nineteenth century up to the present and categorizing them according to their value and contemporary relevance. The best works, according to Loveday, were Ralph Hawtrey's *Good and Bad Trade* (1913) and *Currency and Credit* (1919), Wesley Mitchell's *Business Cycles* (1913), Frederick Lavington's *The Trade Cycle* (1922), and Warren Parsons's *Interpretation of Index of General Business Conditions* (1922). The classics of the genre included Clément Juglar's *Des crises commerciales et de leur retour périodique en France, en Angleterre et aux Etats-Unis* (second edition, 1889), Charles Conant's *History of Modern Banks of Issue* (1909), William Stanley Jevons's *Investigations in Currency and Finance* (1909), and Albert Aftalion's *Les Crises périodiques de surproduction* (1913). The more recent second rate works were Irving Fisher's 1923 article "The Business Cycle Largely a 'Dance of the Dollar,'" Ludwig von Mises and Franz Klein's *Die geldtheoretische und geldrechtliche Seite des Stabilisierungsproblems* (1923), and J.R. Bellerby's *Control of Credit as a Remedy for Unemployment* (1923). See Alexander Loveday, "Bibliography on Economic Crises." LON E/C.E/5.

⁴⁸ "L'élément psychologique dans les cycles commerciaux." LON E/C.E. 4.

of a continent, of the world.” This was a new research question for the League of Nations: “what are the factors allowing for an assessment of the world economic situation at a given moment?”⁴⁹

Continued efforts by ILO officials led to the formation in January 1925 of a Mixed Committee on Economic Crisis, which brought together the League’s Sub-Committee with a handful of researchers appointed by the ILO. Unlike the civil servants employed by the League committee, the ILO group included major economists and statisticians, such as Ernst Wagemann, founder of the IfK and the leading figure in German business cycle research. Born in Chile in 1884, Wagemann had begun his career in the Hamburg Institute of Colonial Economics, and had published several works before the war on the economics of overseas German colonialism and the economic structures of Chile, the British West Indies, and the Brazilian state Espirito Santo.⁵⁰ Like many of his peers, Wagemann had worked at ministries dealing with food supplies during the war, before moving into the Reich’s Statistical Office in 1919 and then founding the IfK in Berlin in 1925.⁵¹ The staff of the Mixed Committee also included the Belgian social scientist and government official Ernest Mahaim, director of the Solvay Institute for Sociology and author of numerous works on political economy, administrative science, and Belgian social and economic problems. Mahaim had played an important role in the foundation of the ILO, and became president of the organizations for its fourteenth session in 1930. Another member was the Austrian statistician Karl Pribram, director of the Statistical Department of the ILO, who had written the unemployment and social security legislation of the postwar Austrian Republic – which the League’s Commissioner General in Vienna was now attempting to neuter.⁵² The

⁴⁹ “Quelques Réflexions à l’Usage de Messieurs les Membres du Comité de la Crise.” LON E/C.E./10.

⁵⁰ Ernst Wagemann, *Soziale Klassen und Sozialpolitik in Britisch-Westindien: Ein Beitrag zur Beurteilung moderner Kolonialprobleme* (Leipzig: Duncker und Humblot, 1909), *Die Wirtschaftsverfassung der Republik Chile* (Munich: Duncker und Humblot, 1913), and *Die deutschen Kolonisten im brasilianischen Staate Espirito Santo* (Munich: Duncker und Humblot, 1913).

⁵¹ Tooze, *Statistics and the German State*, 103-113 and “Weimar’s Statistical Economics,” 523-543.

⁵² Anonymous, “Karl Pribram, 1877-1973.” *International Statistical Review* 43.3 (1975): 374-375, at 375.

British agricultural economist J.R. Bellerby, a leading voice at the ILO for price stabilization policies, joined the committee, along with Max Lazard and his colleague from the AILCC, the Belgian syndicalist Henri Fuss, another important advocate for price stabilization as a means of reducing the unemployment caused by the crisis across Europe.⁵³

As this new joint committee began to meet at the beginning of 1925, its meetings were marked by controversy over a memorandum submitted by ILO officials on the ideal international monetary order “from the point of view of labour organisation.” This memo argued that the first priority of monetary policy should be the stabilization of prices, which the gold standard had never guaranteed. The gold exchange standard was an improvement, but a non-metallic standard, allowing for independent national price stabilization policies, was better. This idea went against mainstream opinion, which was almost universally in favor of some form of gold standard: the “whole of British banking tradition” was based on the freedom of convertibility into gold. A return to gold at prewar parities, according to the memo, would be disastrous: “Where there appears to exist conflict between monetary tradition and human welfare on any point on which human welfare is not dependent on the maintenance of the tradition,” it stated, “the measures of reform should be effected and tradition disregarded.”⁵⁴ The view of the 1920-1 crisis presented in official ILO publications was that it was the most recent in a long-term trend of cyclical upswings and downturns that could now be brought under control through price stabilization policies. The liberation of trade and the financial recommendations made at the Brussels Conference would not do so on their own.⁵⁵

⁵³ Henri Fuss, “Money and Unemployment,” *International Labour Review* 16.5 (1927): 601-617.

⁵⁴ “Some International Aspects of Monetary Policy.” ILO U 6/1/2.

⁵⁵ “Annex to the Report of the Director: Enquiry into Unemployment.” LON R378/21233/21233.

Price stabilization was one the most fervently held policy ideals of ILO officials, and one that went beyond the organization's standard focus on international legal protections and social guarantees.⁵⁶ These officials were inspired by an academic and popular movement that had emerged in the U.S. after the war that was committed to the scientific control of credit and currency for the sake of employment stabilization, and which was based on new price indices and other statistical information developed for the war effort. Some of the leading proponents of this kind of monetary management included the Yale economist Irving Fisher, as well as the head statistician and researcher at the New York Fed, Carl Snyder.⁵⁷ During the early 1920s, the U.S. Federal Reserve System came to be seen as a model of wise and scientific monetary management, and price stabilization became a popular idea among leading European economists. At the 1922 Genoa Conference, for example, Ralph Hawtrey had argued for central banks to cooperatively manage credit in order to stabilize prices, but he was opposed by Montagu Norman and the Bank of England.⁵⁸ ILO officials were at the vanguard of this movement in Europe, and continually attempted to drum up support for price stabilization policies in their internationally distributed publications of the early 1920s. Bellerby was the organization's leading theoretician of prize stabilization: he insisted that these policies be coordinated at the international level, and called for the creation of a new international agency to set rules for the regulation of currency and credit policies.⁵⁹ The success of the League's attempts to rescue Austria from financial

⁵⁶ A.M. Endres and Grant A. Fleming, "The Early Development of Monetary Policy Rules: The View from Geneva in the 1920s," *Journal of Monetary Economics* 42 (1998): 375-386.

⁵⁷ William J. Barber, *From New Era to New Deal: Herbert Hoover, the Economists, and American Economic Policy, 1921-1933* (Cambridge: Cambridge University Press, 1985), 23-27; Allan Meltzer, *A History of the Federal Reserve. Volume 1: 1913-1951* (Chicago: University of Chicago Press, 2003), 137-270.

⁵⁸ G.C. Peden, *The Treasury and British Public Policy, 1906-1959* (Oxford: Oxford University Press, 2000), 155-156.

⁵⁹ For a history of the price stabilization movement, see Irving Fisher, *Stabilised Money: A History of the Movement* (London: George Allen & Unwin, 1935). See also Grant Fleming and A.M. Endres, "International Economic Policy in the Interwar Years: The Special Contribution of ILO Economists," *International Labour Review* 135.2 (1996): 207-225.

collapse in 1923, he suggested, provided a model for what this form of international economic administration might look like.⁶⁰

These views were resisted by the League members of the Mixed Committee, who objected to the ILO's encroachment into the territory of economics and saw this view of monetary management as threatening. When Bellerby gave Loveday a draft of an article on this topic, Loveday strongly dismissed its claims. Calls for the international coordination of monetary policies, he wrote, implied a dangerous new role for central banks on the national level. "How can a permanent representative on an International Commission be responsible for the banking policy of any country unless either he controls that policy or represents the State which controls it? God preserve us from state banking!"⁶¹ At subsequent meetings of the Mixed Committee, the question of price stabilization led to further controversy. The ILO's memo on international monetary policy from the "point of view of labor" had put the Mixed Committee into an embarrassing position, since it had brought a financial question as "difficult as it is delicate" to a body that, without representatives present from the Financial Committee, was not authorized to discuss it.⁶² Strictly segregated bureaucratic competencies thus combined with the politics of financial orthodoxy to stand in the way of the ILO's plans for an international study of unemployment and crisis.

At the June 1925 meeting of the Mixed Committee, which ILO officials had demanded members of the League's Financial Committee attend, officials from the two organizations took up opposing sides in a debate about financial stabilization that was playing out across Europe.

⁶⁰ J.R. Bellerby, *Control of Credit as a Remedy for Unemployment* (London: P.S. King & Son, 1924), 119-120. See also J.R. Bellerby, *Monetary Stability* (London: Macmillan, 1925) and *Stabilisation of Employment in the United States* (Geneva: International Labour Office, 1926).

⁶¹ Alexander Loveday to J.R. Bellerby, 4 April 1923. LON S130.

⁶² Comité Économique. Sous-Comité des Crises Économiques. Compte-rendu de la 6e session tenue à Geneve, 26 et 27 janvier 1925. LON E/C.E./6e Session/P.V. Revisés.

Representing the orthodox position from the Financial Committee was Otto Niemeyer, who had replaced his fellow Oxonian Basil Blackett in 1922 as Controller of Finance at the British Treasury, where he had been instrumental in convincing Chancellor Winston Churchill to return to gold in April 1925 over the warnings of Keynes and former Chancellor Reginald McKenna.⁶³ Niemeyer told ILO officials that nothing besides a return to gold would guarantee the “economic restoration of the world,” even with the considerable hardship this would entail. A non-metallic standard was out of the question. These views were seconded by Niemeyer’s colleague on the Financial Committee Leopold Dubois, president of the Swiss Bank Society: “the more that nations understand the need to return to sound money, the more they will approach price stability,” Dubois insisted. This would be a “a long and painful convalescence; but that’s the ransom of past errors and ills.” Crises were natural processes in a capitalistic system, and from the “true point of view of humanity,” they led to progress. There was little that central banks could do to suppress them: “it’s the fulfillment of natural law... there is a hard and long depression, and then the return to the normal situation.” These suggestions infuriated members from the ILO, who pointed to the dangers of indifference to the “terrible consequences of economic crises for the working class.” Wagemann argued that the real risk of an unmanaged crisis was that it could lead to a depression like that of 1875-95: “the world economy in its present state could never endure a depression of 20 years.”⁶⁴

The members of the Financial Committee at the Mixed Committee refused to cede ground. Not only was price stabilization a dangerous idea, but even suggesting monetary causes of the business cycle threatened orthodoxy. A September 1925 report written up by Financial

⁶³ D.E. Moggridge, *The Return to Gold, 1925: The Formulation of Economic Policy and its Critics* (Cambridge: Cambridge University Press, 1969).

⁶⁴ “Commission Mixte des Crises Economiques. Proces-Verbal de la Premiere Séance Tenue la 2 Juin 1925 a Geneve.” LON E/C.E./7ème Session/P.V.1.

Committee members insisted that the cause of cycles be looked for in natural events, like poor harvests and bad weather, or in major political crises, such as war or war scares. Discipline and thrift was all that could prevent crisis: states needed to maintain balanced budgets and put these on a permanent footing.⁶⁵ These views were seconded at meetings of the League's Economic Committee. Even if it were possible to bring prices under some kind of control, Heer wrote in another report from January 1926, this would have terrible effects on "the spirit of enterprise." It violated the cardinal rule of economics: "motus est vita." Of the causes of crises – whether natural (bad harvests, floods, and epidemics), social (changing birth rates, class conflict, women's fashion trends), technological (electrification, machination), political (international instability or domestic distributional conflicts) – very few were manageable by government policy. At present, the League could focus on controlling crises through the reduction of epidemics affecting plants and animals, "public hygiene" campaigns to improve mortality rates, and the development of new scientific approaches to regulating migration. It would also encourage free trade, since government policies designed to protect national industries led directly to dangerous fluctuations. Far from a solution to the problem of crises, the state was seen as one of its primary causes.⁶⁶

IV. Understanding the Business Cycle as a Global Phenomenon

These debates between officials at the League and the ILO about the causes of crises, and the possibility of using government powers to address them, show just how political the question of business cycle research remained for those wedded to the kind of financial orthodoxy that

⁶⁵ Financial Committee. "Replies by the Financial Committee to the Questions put by the Mixed Committee on Crises." 5 September 1925. ILO U6/1/2.

⁶⁶ "Rapport de M. Heer." 30 janvier 1926. Comité mixte des crises économiques. LON E/C.E./18.

dominated at the League's Financial Committee. While League officials agreed to meetings with their ILO counterparts, they insisted that crises were phenomena that had few policy implications beyond the collection of economic data. This was true both for those in the Economic Committee who might have been more sympathetic to the ILO's attention to unemployment but who had to be careful about upsetting rules about policy neutrality, and to those in the Financial Committee who were more closely tied to national pillars of financial orthodoxy. But officials from both organizations could agree on two things: first, that economic data was valuable and, second, that more of it was needed. And there was one form of research that made use of this data but in ways that seemed safer: business forecasting. When the Mixed Committee began a cooperative program of research on "economic barometers" in 1926, it led to some of the earliest discussions at the two organizations about how international interdependence functioned, and about how the aggregate of different national economies – each with unique characteristics that explained its behavior – could be seen as a holistic system.

The study of business forecasting had originally emerged in the late 1880s and taken off on a large scale in the U.S. after the war at private firms, like Babson's Statistical Organization and then Brookmire's Economic Service, that provided data to business clients on the future behavior of economic fluctuations. There were two basic methods for creating the aggregate statistical series used for this practice, which were generally referred as "economic barometers" – a name that reflected the close ties of business forecasting and business cycle theory with the other young science of weather prediction. First, a general index could be created for each major industry based on individual factors, like export prices, that best explained the health and functioning of this industry. These could then be combined into a general barometer of total national industrial activity as an aggregate. Second, and more commonly, indices could be

picked out indicating the condition of many different industries at once, such as bank clearings, rates of exchange, price levels, railway clearings, and others. The influential barometer developed by the Harvard Committee was, in this way, based on three sources of data taken to explain national activity in general: fluctuations in speculation, business activity, and banking rates.⁶⁷ The challenge for the international organizations was to take the statistical information on which this practice was based out of the hands of private businesses, who claimed it as private intellectual property, and make it available to member states.

But when the ILO members of the Mixed Committee first pushed for the study of economic barometers, they faced further resistance. In March 1924, the Sub-Committee on Economic Crisis had decided that work on economic barometers was “as yet in too experimental a stage to warrant any definite decisions as to the best mode of procedure for their calculation or even any authoritative comments or suggestions from the Committee to their compilers.”⁶⁸ The best they could do was follow research being conducted elsewhere.⁶⁹ But by early 1926, as research on forecasting was accelerating quickly across Europe and in the U.S., the League members of the Mixed Committee decided to keep abreast of these trends. In December 1926, the Mixed Committee appointed a small group of experts on economic barometers. This included Europe’s leading business cycle researchers: Ernst Wagemann, Corrado Gini, Arthur Bowley, and Lucien March, as well as Karl Pribram and Henri Fuss from the ILO and Alexander Loveday from the League. The group met five times in Paris between December 13-15, 1926 to discuss

⁶⁷ Walter A. Friedman, *Fortune Tellers: The Story of America’s First Economic Forecasters* (Princeton: Princeton University Press, 2014), esp. 128-150.

⁶⁸ “Resolution Submitted by the Sub-Committee on Economic Crises and Adopted by the Economic Committee in May 1924.” LON E/B.E. (hereafter, B.E.)/4.

⁶⁹ “Note by the Secretariat.” November 20th, 1926. Committee of Experts on Economic Barometers. LON E/B.E./5.

the refinement of methods for statistical forecasting and the possibility of scaling this research up to the world level.

The first challenge they faced was simply collecting useful data. In the spring of 1926, letters had been sent out to all of the League's member states requesting statistical information that could be used for the preparation of indices of production, prices, and exchanges. As with many of the League's attempts to collect statistical information via post, this effort had uneven results. Many states did not gather data on a short enough interval to be useful for measuring fluctuations over time. This was particularly true in the case of primary producing states, where business activity tended to be highly seasonal, making month-by-month measurements of production less meaningful than a simple annual figure.⁷⁰ Other states collected data in ways that made it difficult to compare to that of others.⁷¹ Most importantly, few states collected thorough statistics on industrial production or mining.⁷² "In the case of manufactures," as a letter from one Australian official put it, "it is considered very doubtful whether any results of a value at all commensurate with the cost involved could be obtained by the monthly collection of statistics."⁷³ The data that was provided tended to be indirect: figures sent from New South Wales, for example, included the month-by-month issuance of building permits, railway tonnage, motor vehicle registration, bank clearings, butter production, and inwards and outwards cargo.⁷⁴ The unevenness of this statistical information made it difficult to analyze the "economic position" of any particular country – much less that of "of the world in general."⁷⁵

⁷⁰ Prime Minister's Office, New Zealand to Eric Drummond. 15 September 1926. LON R450/54026/51627.

⁷¹ Ministère des Affaires Etrangères, Estonia to Eric Drummond. 10 September 1926. LON R450/53892/51627.

⁷² Unsigned Letter. 21 April 1926. LON R450/52533/51629.

⁷³ Commonwealth of Australia. Prime Minister Department. Department of External Affairs. Letter to Eric Drummond. 26 August 1926. LON R450/56758/51629.

⁷⁴ Commonwealth of Australia. Prime Minister Department. Department of External Affairs. Letter to Eric Drummond. June 9 1927. LON R450/56758/51629.

⁷⁵ Unsigned Letter. 21 April 1926. LON R450/52533/51629.

Even if more data had been available, however, it was unclear what to do with it. While the international contagion of crises had been obvious to observers in Europe and the U.S. at least since the eighteenth century, little was known about why economic fluctuations coincided in countries separated by great distances. In his 1922 *Trade Cycle*, the Cambridge economist Frederick Lavington referred to this phenomenon as “increasing business intimacy,” and suggested that the crisis of 1907 was the first to synchronize “phase by phase” in England, France, and Germany.⁷⁶ Loveday’s group at the League, and Wagemann’s at the IfK, collected the kind of data that could be used to study this relationship. And in 1920, the Italian statistician Constantino Ottolenghi had recommended the establishment of statistical observatories in many different countries, with a central headquarters in London, to study the international connection of national fluctuations.⁷⁷ But besides the work done by researchers at the IfK and at the Abteilung für Statistische Weltwirtschaftskunde und Internationale Konjunkturforschung at the IfW, few had attempted to scale new methods of economic forecasting and business cycle research up to the world level.⁷⁸

There was guide for doing so, however, that achieved widespread attention: an influential comparative study conducted in 1926 at the NBER by the U.S. economist Willard Long Thorp (who later helped design the Marshall Plan as U.S. Assistant Secretary of State) with the Columbia economist Wesley Mitchell, who had done more to pioneer the study of business cycles in the U.S. than anyone else and who had become one of a small handful of American

⁷⁶ Frederick Lavington, *Trade Cycle: An Account of the Causes Producing Rhythmical Changes in the Activity of Business* (London, P. S. King, 1922), 14.

⁷⁷ ILO, *Economic Barometers*.

⁷⁸ The annual reports of the latter can be found in the Institut für Weltwirtschaft Hausarchiv. Hs. Allg. 20b. Kiel, Germany.

economists of worldwide notoriety and influence.⁷⁹ For his study, Thorp compiled a year by year account, up to 1925, of business fluctuations in seventeen different countries, including most European states, the U.S., Russia, the large South American states, Australia, China, Japan, and India during the periods for which good numbers were available. In the U.S. and England, this was from 1790, while in China it was only from 1890. After 1890, there was enough data to compare and contrast economic conditions in all seventeen states at once. Thorp drew on a vast range of information from many different sources: government, consular, and colonial memos, history books, and commercial, financial, and trade reports. Given the heterogeneity of this data, which was not all provided in precise statistical form, business conditions in each country could only be divided into four general phases: depression, revival, prosperity, and recession. These were then indexed as mild, uneven, moderate, slight, slow, rapid, industrial and agricultural (for recessions and depressions). Thorp's conspectus also included events like financial panic, distress, and strain, as well as bourse panic and war activity.⁸⁰

This annual snapshot of "world experience" showed that cycles tended to behave almost identically in states at similar levels of development, and that the world-wide synchronization of business cycles was becoming more pronounced over time – though the war and postwar crises had temporarily interrupted this trend. There was a clear progression towards the territorial expansion of the Western European "model" of economic organization, and towards the convergence of economically "backwards" states – like South Africa, Brazil, and China – towards this model. Essentially the same form of economic organization, "the business

⁷⁹ Willard Long Thorp, *Business Annals: United States, England, France, Germany, Austria, Russia, Sweden, Netherlands, Italy, Argentina, Brazil, Canada, South Africa, Australia, India, Japan, China* (New York: National Bureau of Economic Research, 1926), 19.

⁸⁰ *Ibid.*, 37.

economy,” was now shared by all “highly civilized nations of the world,”⁸¹ Mitchell wrote elsewhere, with the “somewhat less mature stage of the money economy” existing in South America and South Africa, and a more primitive form still in Asia outside of Japan. The closer these societies came to the Western model of economic organization, the more their fate came to depend on cyclical fluctuations, and the more these cycles came to be synchronized with those in other developed states.⁸² Just as American business activity, once fragmented into many smaller units, had recently come to share “one story,” so too was the worldwide “network of business relations” being gradually molded into a unity. There were two temporalities of economic development at work in Mitchell’s analysis of Thorp’s data: the glacial evolution of an economic system towards an “organization approximating that of western Europe,” which, once achieved, set this system onto a timetable of returning cycles of growth and decay, crisis and renewal. Economic modernity was progressive only as passage was made from agricultural life to industrial society; once this was reached, business was locked into a predictable circular rhythm.⁸³

But it was still not entirely clear why business cycles in “developed” states tended to synchronize across vast distances. Perhaps this could be explained by some kind of “cosmic cause” affecting “all quarters of the globe in much the same way each year,” Mitchell suggested, likely referring to William Stanley Jevons’s “sunspot theory” or the synchronicity posited by the Columbia economist H.L. Moore between the eight year orbit of Venus, global rainfall cycles, and the quality of harvests.⁸⁴ More detailed national data was needed to see when and where

⁸¹ Wesley Mitchell, *Business Cycles: The Problem and its Setting* (New York: National Bureau of Economic Research, 1927), 174-180.

⁸² Wesley Mitchell, “The International Pattern in Business Cycles,” *Bulletin de l’Institut International de Statistique*, 28 (1935): 397-403, at 406. 174.

⁸³ *Ibid.*, 93, 97.

⁸⁴ Henry Ludwell Moore, “The Origins of the Eight-Year Generating Cycle,” *The Quarterly Journal of Economics* 36.1 (1921): 1-29.

cycles synchronized. When one country experienced prosperity this seemed to increase demand for imports and encouraged foreign investment, which benefited exporting countries.⁸⁵ Mitchell listed other popular theories explaining how the “economic fortunes” of different states were tied together:

One prevalent view, often implied in discussions of public policy though seldom avowed openly, is that competition for foreign markets and foreign investments makes one nation’s gain another nation’s loss. A second view is that small countries with a vast commerce – England, the Netherlands, Belgium, Sweden and Norway – experience prosperity or depression as world business quickens or slackens, but that nations with a continental spread need feel slight concern about foreign factors...⁸⁶

The theory that Thorp’s data seemed most clearly to support was a newer one: “that business enterprise has been silently establishing a ‘world economy,’ a ‘commercial league of nations,’ in which all the members prosper or suffer together.”⁸⁷ Mitchell’s suggestion that the existence of a “world economy” was a new theoretical position – one that could be proven or disproven by comparative analysis of national data – shows how novel the idea was in the late 1920s, and how shallow it had penetrated economic debates outside of the German-language discourse. The best Mitchell could do was suggest that Thorp’s statistics indicated a clear evolution towards this world entity, though they could not prove its existence conclusively.⁸⁷

While their comparative method did little to demonstrate how business cycle fluctuations were transmitted, Mitchell and Thorp’s study was regarded as the principal authority on this question well into the 1940s. In the mid-1920s, the task of the League-ILO barometers group was to further internationalize this research by drawing on the unparalleled source of data from the League’s member states. Just as the refinement of business forecasting at the national level was helping to solidify a conception of the national economy as a holistic system, one that could

⁸⁵ Mitchell, “Introduction,” in Thorp, *Business Annals*, 97.

⁸⁶ *Ibid.*, 74.

⁸⁷ *Ibid.*, 74.

be measured in the aggregate, so too would studying the simultaneous fluctuation of different national indices shed light on how national economies were linked together into a larger world system.⁸⁸ One of the principal challenges facing this kind of research was the fact that each national economic system appeared to behave in unique ways, which meant that any method developed for the study of business cycles in one national context might not be easily transplantable to another. Nor was it clear how these different national systems were linked together. The basic questions at the center of discussion at the League-ILO barometers group, and the ones that had informed Thorp and Mitchell's research, were difficult to answer with certainty: "Does a period of boom in the United States precede a similar period in Great Britain? Is a period of prosperity in countries producing raw materials followed by a period of prosperity in industrial countries?"⁸⁹

At the fourth meeting of the barometers group on 14 December 1926, Pribram suggested that the best approach to understanding the relationship of economic fluctuations across vast distances was to group together industry-specific indices and to avoid focusing on national barometers. Economic activity within one country was shaped by external phenomena, particularly so in smaller and less self-sufficient countries, which meant that focusing exclusively on national barometers drew attention away from the interpenetration of international and national economic activity. This also had the effect of reifying the national economy into a natural object. Since the activities of industries did not pay heed to political borders, "the expression 'national economy of a country was only an arbitrary expression,'" Pribram argued. "A country [does] not exist as a real economic entity having an organic structure of its own." Statistically measuring activity in markets that existed across borders, and industries that were

⁸⁸ On this point, see Tooze, *Statistics and the German State*, 113-122.

⁸⁹ ILO, *Economic Barometers*, 25.

not tethered to one spot, would clarify the mechanisms by which fluctuations were spread internationally. This was information that could not be derived from exclusively national models.⁹⁰

Pribram's skepticism about economic entities like the "national economy" was a widely shared view among his fellow Austrian economists. This idea was particularly popular among those who boasted extremely liberal views, like Gottfried Haberler, but also among others, like Oskar Morgenstern, who did not. Others members of the barometers group also shared Pribram's nominalism, and made similar points about the artificiality of the idea of a national economy. When Loveday presented a 1923 note by the New York Fed statistician Carl Snyder on a complete index for measuring U.S. business activity as a systematic whole, Lucien March insisted that the criteria Snyder had chosen were completely arbitrary, and that it was extremely difficult to select specific indices to define the "vague expression 'general economy of a country.'" Bowley seconded this point: it was "impossible to represent in a single index the general activity of a country," he argued. "This would be as though a meteorological office were to say that in a certain country a combination of all the barometers would enable a statement to be made that the weather would be +2%. It was impossible to establish an average of a number of factors which had no common measure."⁹¹

Ernst Wagemann strongly disagreed with these views. Reiterating points made by economists of the German Historical School, he insisted that the national economy be seen as a real and natural entity, one whose structures and behavior had to be understood in great detail before any study of international economic ties could take place. The particular criteria Carl

⁹⁰ Committee of Experts on Economic Barometers. Fourth meeting held at 3:45 p.m. on December 14th [1926]. LON E./B.E./1st session/P.V.4.(1).

⁹¹ Committee of Experts on Economic Barometers. Fourth meeting held at 3:45 p.m. on December 14th [1926]. LON E./B.E./1st session/P.V.4.(1).

Snyder had chosen for measuring U.S. national economic activity as a whole were incorrect. But this approach was useful for showing the “general movement” of a national economy.⁹²

Wagemann did not use the term that would soon become the standard descriptor of an aggregate national economic system – “the economy” – but he dismissed Pribram’s nominalistic rejection of this kind of entity. Each national economy had to be seen as a bounded system, with its own specific economic, industrial, and institutional structures that defined the rules of its behavior. Since economic phenomena rarely ignored national borders, neither could statistics. But there could be no uniform approach to economic forecasting that was applicable everywhere: how a business cycle fluctuated in an agricultural country, for example, was entirely different from how it did so in an industrial one. A small country that was highly sensitive to international market conditions saw fluctuations of an entirely different kind to those of a large, more self-sufficient country like the U.S.⁹³

Wagemann saw the world economy as an aggregate of this great diversity of national economic systems, each with its own rules that explained its behavior and which had to be studied in detail in order to predict its future course and relation with other national units. In a memorandum for the barometers group, he argued that the “structure of a country’s economic life and structural changes have so large an influence on business cycles,” that any study of the latter required detailed analysis of the former. For this reason, no “uniform” barometer could be built for use in all countries, though it was possible to create a “world-barometer” that registered “those business cycles which are experienced almost simultaneously by all the larger capitalist

⁹² Committee of Experts on Economic Barometers. Fourth meeting held at 3:45 p.m. on December 14th [1926]. LON E./B.E./1st session/P.V.4.(1).

⁹³ Comité d’experts pour les baromètres économiques. Procès-verbal de la première séance, tenue à 10 h. 30, le 13 décembre 1926. LON E./B.E./1ère Session. P.V.1 (1).

systems.”⁹⁴ As the world’s economic system grew more interconnected, and international firms grew more consolidated, there would be more business cycles that would behave identically in the world’s major capitalist states. For this reason, one of the most important tasks of international economic cooperation, Wagemann insisted, was understanding which markets and industries exhibited these close international connections.⁹⁵

The methodological discussions of the barometers group briefly touched the outer limits of contemporary theoretical work on international economic relations and their statistical measurement. But its official report was very cautious, pointing out the need for further study before any concrete recommendations could be made, and indicating the challenges that would be faced by any attempt to internationally coordinate business forecasting.⁹⁶ It offered a set of suggested indices measuring “general economic activity” on the national level, including the total production and distribution of goods, services, and money. On the question of international research, the report reiterated Wagemann’s central insight: “since the individual economic systems are structurally different,” no uniform approach to forecasting could be offered for all of them. “What may prove desirable for a highly industrialized country with a large internal market, little dependent on external trade, such as the United States of America, may not be suitable to countries mainly agricultural in character, to countries largely dependent upon external trade or to those with a high degree of specialization in one or two particular industries.”⁹⁷ The inability of the group to come to more definite conclusions led to further efforts to do so elsewhere. In May 1928, Friedrich Hayek called a conference in Vienna between the Austrian Institutes for

⁹⁴ Wagemann. “The Problem of the Morphological Characteristics of Economic Fluctuations. (Structural changes and business cycles; dominants and secondary series).” LON E./B.E./6.

⁹⁵ Wagemann to Loveday, 17 November 1926. LON R451/52192/51866.

⁹⁶ Gini criticized the narrow scope of the final report. See Corrado Gini, “La riunione del Comitato di esperti per la questione dei barometri economici indetta dalla Società delle Nazioni.” *Indici del movimento economico italiano* 1.4 (1926): 3-21.

⁹⁷ “Committee of Experts on Economic Barometers.” 15th December 1926. LON E./B.E./7.

Business Cycle Research and Hungarian Institute for Economic Research to solve the problem the League-ILO barometers group had been unable to: how to unify data collected from different countries into a “general picture of the economic situation of a large economic area and the relationship of mutual dependency it has with small economic areas.” Hayek insisted that the small group of Central European economists working together on this problem would be more efficient than the League-ILO group, though he did invite most of its members to Vienna, including Loveday, Wagemann, Gini, and Pribram.⁹⁸

In the 1930s, the international coordination of business cycle research became a central aim of the League’s economic work. But in the 1920s, even as the nature of economic interdependence came to be studied with more sophisticated tools, the “world economy” was not yet an international problem. While many had described the crisis of 1920-1 as a “world crisis,” this did not encourage League officials to devote their resources to its study. It was more a problem for labor than for the guardians of financial internationalism. Some progress had been made on internationalizing business forecasting in the second half of the 1920s, though this was still a niche project. But after 1929, this hesitance fell away, and the international control of business cycles came to be seen as one of the most pressing challenges for guaranteeing the survival of the liberal capitalist order.

VI. The 1927 World Economic Conference and the Coming Crisis

The absence of sustained attention to these questions in the late 1920s was not for lack of opportunities. In May 1927, over 400 economic officials and experts from 50 different fifty

⁹⁸ “Einleitende Bemerkungen an der am 23. März 1928 zusammentretenden Konferenz der mitteleuropäischen Konjunkturforschungsinstitute.” LON R2815 10D/2539/2539; Hayek to Loveday. 2 March 1928. LON R2815/2539/2539.

states, including non-member states of the League such as Turkey, the U.S., and the Soviet Union, held the largest economic conference the world had ever seen. The 1927 World Economic Conference in Geneva was intended to accelerate reconstruction and restoration in the commercial sphere, just as the 1920 Brussels Conference was seen as having done in the financial. The idea was to seize a moment of relative international economic and political stability to press forward with flagging efforts to liberalize European trade. Europe's currencies had been largely stabilized by 1925, and the Dawes Plan and negotiations on debt seemed to be bearing fruit. But progress had stalled on the removal of tariffs and the expansion of trade, with Europe's commercial strength still a fraction of what it had been before 1914.⁹⁹ According to Salter, the reason that finance had been tackled internationally, and not yet "economics," was that financial stabilization was essentially a problem for the state, since it largely had to do with balanced budgets and sound currencies and the establishment of central banks. As such, the League could compel governments to pursue a specific course of action. Economic reconstruction, on the other hand, was a problem for private individuals. In the case of finance, it was also simply easier to point to the prewar as an orienting ideal; in the case of economic policy, the antebellum offered fewer clear models, with controversy over tariffs and the role of public control in private markets dividing interest groups into bitter rivalries. While economic reconstruction could only be realized by private initiative, it could be held back by the action of national governments or by world conditions that were well beyond the control of the private individual.¹⁰⁰

Beyond this question of economic rapprochement, however, the original idea for the conference, as envisioned by Louis Loucheur – who had first called for it – was to lay the

⁹⁹ For general accounts of the conference, see Orde, *British Policy and European Reconstruction*, 316-321.

¹⁰⁰ "Proposal for a General Economic Conference in 1926." 25 Aug. 1925. Salter Papers. SALT 1/5. CCA.

groundwork for a new French strategic aim: the creation of a European economic union as counterweight to the growth of U.S. economic power, a plan that was opposed by the British. And while the conference aimed to achieve a major multilateral commitment to freer trade, the delegations of the major European powers had divergent agendas to pursue and grievances to air. The intractable problems of reparations, war debts, and immigration were left off the agenda entirely.¹⁰¹

In preparation for the 1927 conference, states were asked to submit reports on their economic well-being, which taken together were to document the “principal features and problems of the world economic situation.”¹⁰² These resulted in, as the official report of the conference later put it, “a picture of the economic condition of the world with a fullness and authority which has probably never hitherto been attained.”¹⁰³ At the conference itself, as Salter put it, “no more authoritative body of experts [had] ever met to discuss economic problems.”¹⁰⁴ But they did not pay any attention to the new emerging science of cycles and crisis that, by the end of 1926, members of the League and the ILO had hoped to scale up to the international level. The conference was not likely to be a competent enough body, Loveday wrote in late 1925, to be able to deal with such a “highly technical subject.”¹⁰⁵

He was right: much of the discussions at the 1927 Geneva Conference remained hortatory and vague, oscillating between, on the one hand, celebration of the advancement of international economic cooperation and sweeping calls for the liberalization of trade, and, on the other, dispute between British and French delegates over tariffs and international cartelization,¹⁰⁶ in a

¹⁰¹ Robert Boyce, *The Great Interwar Crisis and the Collapse of Globalization*, 174-178.

¹⁰² See the reports in LON R475.

¹⁰³ “Report of the Conference, adopted on May 23rd 1927.” C.E.I. 44 (1).

¹⁰⁴ Arthur Salter, “Introduction: The League’s Contribution,” in League of Nations, *The Economic Consequences of the League: The World Economic Conference* (London: Europa Publishing, 1927), 3.

¹⁰⁵ Alexander Loveday to Johan Åkerman, October 9th, 1925. LON S132.

¹⁰⁶ For context, see Boyce, *British Capitalism at the Crossroads*, 119-122.

battle British delegates believed themselves to have won in a major victory for freer trade.¹⁰⁷ Gustav Cassel was alone among the economists in attendance to call for a systematic “investigation of the present disturbed equilibrium of the world’s economy.”¹⁰⁸ The final report of the conference painted a picture of this economy highlighting its complex interconnections and interdependencies, with Europe’s economic disorganization – its reduced consuming power and displacement from the center of world power – shaping economic processes across the entire earth. But the vision of the world’s economic system at the center of this report was impressionistic, pulled together from different national narratives of expansion and contraction since the Great War. There was little discussion at the conference of how the behavior this system could be understood or how it might be wisely managed.¹⁰⁹

Its recommendations for commercial liberalization, moreover, were not entirely successful, though the conference did result in two important institutional transformations. First, to carry out its resolutions, an Economic Consultative Committee (ECC) was established, staffed by experts in industry, commerce, agriculture, labor, finance, and consumer issues from 29 different states, including India, China, and the Soviet Union. This body was designed as a kind of world corporatist council, bringing together representatives from different occupational and interest groups as well as from the national economic councils that had emerged across Europe in the 1920s. Salter thought the ECC would provide a way of formulating policy with the interests of labor in mind, since it was impossible to appoint labor representatives to the Economic Committee. It would, in general, provide a forum in which international public opinion could be

¹⁰⁷ Ibid., 177.

¹⁰⁸ Verbatim Record of the Plenary Meetings. Second Meeting. Wednesday, May 4th, 1927. LON R530/59187/46431.

¹⁰⁹ “Report of the Conference, adopted on May 23rd 1927.” C.E.I. 44 (1).

heard by economic policymakers.¹¹⁰ Towards this end, Salter reached out to various different national delegates to the ECC to encourage them to fight against tariff increases in their own countries. He was convinced that it was not just theoretical arguments or vague exhortations to the general good that would make the case for commercial liberalization. It was also necessary to appeal directly to various different interest groups and representatives of competing classes on the national level. This was the promise of the ECC: it provided a new set of links between private actors and the League and thus new ways for the international organization to exert pressure on the national governments of both democratic and non-democratic states.¹¹¹

The ECC, in turn, appointed an expert group, the so-called “Gold Delegation,” to discuss international monetary policy and the gold standard, made up of leading financial officials with experience at the League, such as Basil Blackett and Henry Strakosch, as well as a small handful of economists, like Gustav Cassel. The group met in August 1929, and its first report represented a dramatic break with standard League practice, pointing out the deflationary effects of the international gold standard systems and criticizing U.S. and French practices of gold sterilization. These views were soon sidelined by the more orthodox members of the delegation, though, and its recommendations turned back to upholding financial orthodoxy and the League’s general position of non-interference in domestic economic affairs. The Delegation split in half, divided by those committed to the upholding the gold standard and solving the twinned problems of reparations and war debts, and those who called for states to abandon the gold standard and pursue reflationary monetary policies.¹¹²

¹¹⁰ Arthur Salter to Georges Theunis, 28th November 1927. Salter Papers. SALT 1/5. CCA.

¹¹¹ Arthur Salter to Ernesto Belloni, 12th April 1928; Salter to Walter Layton, 13th April 1928. Salter Papers. SALT 1/5. CCA.

¹¹² Patricia Clavin and Jens-Wilhelm Wessels, “Another Golden Idol?,” 774-792; Boyce, *The Great Interwar Crisis and the Collapse of Globalization*, 272-281.

After the 1927 conference, some League officials gradually began to concede that the organization should offer more direct advice on national policies, and there was a growing sense, by the end of the decade, that the organization might now “undertake the study of questions, which had hitherto been regarded as remaining exclusively within the sphere of the sovereignty of States.”¹¹³ But there was no consensus on what these questions would be. The barometers group was the abortive outcome of efforts to develop some kind of program of international economic research in the 1920s that might yield fruits in the realm of policy – or at least so its ILO members hoped. When calls came for further research in the late 1920s, however, they were different in focus. At the closing speech of 1927 Conference, the chairman of the conference, the former Belgian Prime Minister Georges Theunis, called for a study of the relationship of international economic order to war and peace. The idea behind this proposal had in its basic form been common since at least the Enlightenment: that the smooth functioning of international commerce worked to prevent war. But in 1927, Theunis’s call for research on interdependence seemed vague and uncertain. “Nobody at that conference understood it,” as one official put it.¹¹⁴ There was little precedent for what this research might look like, beyond the collection of data. “In proportion to the importance of the economic factors in international affairs,” another observer insisted in 1929, “the ignorance of them, and the lack of concerted effort to comprehend and deal with them, is almost sensational.”¹¹⁵ The kinds of economic policies that were conducive to the maintenance of peace, as Salter had put it before the Conference, “have never yet been the subject of international discussion.”¹¹⁶

¹¹³ Economic Committee. Twenty-third session. Minutes. First Meeting. December 15th, 1927. LON R2634/508/508.

¹¹⁴ “Report presented to G.E.D. by Mr. Felkin of the Financial Section of the League of Nations. 5 June, 1929. Rockefeller Foundation Archives (hereafter, RF). Sleepy Hollow, New York. RF.RG1.100.18.148.

¹¹⁵ “Tentative Suggestions for an Institute of International Economics.” LON S118.

¹¹⁶ “Proposal for a General Economic Conference in 1926.” 25 Aug. 1925. Salter Papers. SALT 1/5. CCA.

Efforts to follow up on Theunis's suggestion from the 1927 conference began in 1929 with the opening of a new program of research at the Economic Committee on the relation between international economic problems and the maintenance of peace. The two experts tasked with this study, the German economist Moritz Julius Bonn and French sociologist André Siegfried, outlined a set of economic factors that led to international friction: demographic pressures, access to transportation routes and waterways, control over raw materials, and tariffs. Another danger was the practice of international lending that put weak states, like China, Egypt, and Turkey, at the mercy of foreign creditors and the gunboats they could call to their service. Bonn and Siegfried's vision of the relationship between world economic order and international security saw the problems of access to commodities and routes to carry them on as the main factors leading to destabilization. By now, however, this vision was beginning to seem old-fashioned. Notably missing from their analysis was any suggestion that a major economic crisis, a general breakdown in the world's economic system, might itself lead to the outbreak of war.¹¹⁷

¹¹⁷ Moritz Julius Bonn and André Siegfried, *Economic Tendencies Affecting the Peace of the World* (Geneva: Imp. Kundig, 1929). In 1944, the German economist Heinz Wolfgang Arndt described this oversight as one of the principal failures of the League of Nations: "no attempt was made at any time during the years of prosperity [of the 1920s] to prepare for international co-ordination of national policies in the event of a slump and depression – for the simple reason that the need for such action was not realized." See H.W. Arndt, *Economic Lessons of the Nineteen-Thirties* (London: Oxford University Press, 1944), 233.

CHAPTER FOUR

The Mystery of the World Economy: Data and Depression, 1930-36

I. The Depression as a Global Problem

While the specter of a worldwide economic collapse was far from most people's minds in the late 1920s, this changed quickly after the Wall Street crash of October 1929. It took little time for most to realize that the developing crisis was truly worldwide in scope.¹ Economic conditions were soon deteriorating in many different countries, and it was clear that the falling prices for agricultural goods and raw materials in primary producing states were hurting production in industrial ones: "Australia, the Argentine and the Malay States [are suffering] as much or possibly more than Great Britain, or Japan or the United States," as one observer put it.² Professions of ignorance about the world's economic system, both accusatory and self-exculpatory, abounded. "In spite of the long, patient, skilled and organized enquiries of many years and in many countries," Arthur Salter told an audience in Tokyo in May 1931, "the world still knows too little of its own economic processes to be master of its own economic destiny." The "darker and deeper" reasons for the outbreak of the crisis remained a mystery.³ Book after book appeared on the world crisis.⁴ Its contagion had generated unprecedented enthusiasm for studying the world economy as a global system – one that was more complex, fragile, and

¹ On this point, see John A. Garraty, "The New Deal, National Socialism, and the Great Depression," *American Historical Review* 78.4 (1973): 907-944, at 907.

² Carl Snyder, "The World-Wide Depression of 1930," *The American Economic Review* 21.1 (1931): 172-178 at 174.

³ "The World Depression: As Seen from Geneva." Notes of an address to be given by Sir Arthur Salter before the Members of the Japan Economic Federation, May 6th, 1931." LON R2688/10A/31161/24177.

⁴ Some major titles included E.M. Patterson's *The World's Economic Dilemma* (1930), Ernst Wagemann's *Die Struktur und Rhythmus der Weltwirtschaft (The Structure and Rhythm of the World Economy)* (1931), Johan Åkerman's *Some Lessons of the World Depression* (1931), Arthur Salter's *Recovery: The Second Effort* (1932), Paul Einzig's *The World Economic Crisis, 1929-1931* (1932), Joseph Caillaux, *The World Crisis* (1932), Alvin Hansen's *Economic Stabilization in an Unbalanced World* (1932), and G.D.H. Cole's *The Intelligent Man's Guide Through World Chaos* (1933).

mysterious than the international networks of trade, finance, and shipping described in works dating long back into the nineteenth century.

Despite the upsurge in talk of world economic collapse there was little political will to address the crisis as an international problem. Leaders of the major Western states were committed to national solutions and either uninterested in or actively opposed to the kinds of international measures that might have contained the crisis during its early years.⁵ This was not for lack of opportunities. In its efforts to reach a final settlement of the German reparations problem and schedule for payments in 1929, the Young Committee offered a series of grandiose plans for economic recovery, including designs for a new international bank to depoliticize the collection and distribution of the German annuities, facilitate central bank coordination, and help revive world trade. Hjalmar Schacht proposed an international mechanism to provide credit for development programs in poor countries, which could help finance German obligations and inject purchasing power into world markets. French and Belgian officials made similar proposals, but fears about igniting a worldwide inflation scuttled these plans. Another institution was proposed based on sketches for an international clearing house that had been popular since the nineteenth century. The Bank for International Settlements (BIS), which opened its doors in May 1930, was to collect and distribute German annuities, arrange for payment in kind, commercialize some of the payments in the form of public loans, provide a meeting-house for the world's central bankers, and collect economic statistics. Its directors would be the governors of the world's seven major central banks, though the U.S. government prevented the Fed from sending representatives to its meetings.⁶ Some hoped the BIS would be able to lead a major

⁵ On this point, see, for example, Patricia Clavin, "The Fetishes of So-Called International Bankers': Central Bank Co-operation for the World Economic Conference, 1932-3," *Contemporary European History* 1.3 (1992): 281-311.

⁶ Jeremiah Smith, "The Bank for International Settlements," *Quarterly Journal of Economics* 43.4 (1929): 713-725; Eleanor Dulles, *The Bank for International Settlements at Work* (New York: Macmillan, 1932); Leon Fraser, "The

program of world economic rehabilitation.⁷ But with limited financial resources, and its members at loggerheads, the organization achieved little. After the BIS failed to rescue Austria in the summer of 1931, it largely restricted its activities to research and analysis. Its powerlessness in the face of crisis helped to accelerate a shift of responsibility for international economic policy away from private central banks and toward government offices.⁸

A similar fate met the other major international initiative of the early 1930s. At the Lausanne Conference of June-July 1932, where a deal was reached on the cancellation of German reparations, plans were laid for a new international monetary and economic conference to be organized by the League of Nations, where coordinated solutions to international monetary disorganization, deflation, and the rise of protectionism could be strategized. To draw up a draft agenda for the conference, the League's Council appointed a large Preparatory Commission of Experts, whose members included various financial officials, central bankers, economic advisers, academics, and labor leaders from sixteen different countries. The conference became more an arena for the wrangling of political leaders committed to national policies than a cool consideration of solutions by economic experts. Roosevelt infamously broke it up when he announced U.S. domestic recovery would take precedent over international cooperation. Its collapse is at the center of most accounts of the breakdown of the interwar international economic system and it has long been seen as a crucial turning point on the path to war.⁹

International Bank and its Future," *Foreign Affairs* (1936): 453-464, at 454; Frank Costigliola, "The Other Side of Isolationism: The Establishment of the First World Bank, 1929-1930," *The Journal of American History* 59.3 (1972): 602-620; Melyvn Leffler, *Elusive Quest*, 202-219; Gianni Toniolo, *Central Bank Cooperation at the Bank for International Settlements, 1930-1973* (Cambridge: Cambridge University Press, 2005), 24-60.

⁷ Alvin Hansen, *Economic Stabilization in an Unbalanced World* (New York: Harcourt, Brace and Company, 1932), 271-276.

⁸ Harold James, "The Creation of a World Central Bank? The Early Years of the Bank for International Settlements," in Harold James and Elisabeth Müller-Luckner, eds. *The Interwar Depression in an International Context* (Munich: Oldenbourg, 2002), 159-170.

⁹ Patricia Clavin, "Explaining the Failure of the London World Economic Conference," in James and Müller-Luckner, eds. *The Interwar Depression in an International Context*, 77-97; Patricia Clavin, *The Failure of Economic*

This focus has led attention away from the development of a new study of the world's economic system during the years just on either side of the failed 1933 World Economic Conference. It was becoming clear that the League's Economic and Financial Organization would not take up the more ambitious policy schemes that some had hoped to initiate in London, though Loveday and his colleagues continued to push for a major program of trade liberalization and grew eager to bring the U.S. State Department on board with this work.¹⁰ The organization moved towards a focus on research. After Salter left his position in 1931, the Economic and Financial Section split into two, with Loveday taking charge of the Financial Section and Economic Intelligence Service (EIS), and the Italian League official Pietro Stoppani leading the new Economic Section. This split reflected a change in the nature of the League's economic work: until 1927, the most important aspect of this work had been financial, and its greatest successes had come in the reconstruction of Central and Eastern Europe. But now that the methods of financial control developed for Austria and Hungary had become so unpopular, the League had to be transformed into an advisory body if it was to have continued success. The scientific nature of its work would accordingly grow in importance.¹¹

Since 1919, Loveday had focused the energies of the group of researchers he led at the EIS on collecting economic statistics from member states and publishing this information in serial compendia. By the end of the 1920s, his organization's economic research had expanded beyond basic data collection and the compilation of various national laws and regulations. Now, the League also published studies on the purchasing power of gold, for example, and specific

Diplomacy: Britain, Germany, France, and the United States, 1931-36 (Basingstoke: Macmillan Press, 1996); Zara Steiner, *The Lights that Failed: European International History, 1919-1933* (Oxford: Oxford University Press, 2005), 635-706; Eichengreen, *Golden Fetters*, 317-347.

¹⁰ Patricia Clavin and Jens-Wilhelm Wessels, "Transnationalism and the League of Nations," 484.

¹¹ "Conversations between the S.G. and J.A.S. March 4 and 5, 1930, on situation issuing from probable offer of appointment at International Bank to Stoppani." Salter Papers. SALT 1/4.

industries and commodities, and attempted to present a “bird’s-eye view of world conditions and world tendencies.”¹² But the studies that did appear were limited in scope, and the League could not offer any criticism or assessment of specific national policies. This situation began to change in the 1930s, as the EIS and Financial Section expanded efforts at data-gathering and brought more experts and economists into the League’s service. These included officials who had worked for the League throughout the 1920s, such as Jan van Walré de Bordes, who had helped design Austria’s financial reconstruction, as well as statistical experts like Gerhard Fürst, who had worked at the Statistische Reichsamtsamt in Berlin before joining I.G. Farben during the war (and who would become a Bundeswahlleiter in the postwar Federal Republic). The organization provided a venue for economists to launch their careers, such as Folke Hilgerdt from Sweden, who won considerable scholarly acclaim for his 1942 report on *The Network of World Trade*. The EIS also became a training ground for officials, like the Canadian monetary expert Louis Rasminsky, who would play important roles at the IMF and World Bank.¹³

The research conducted by the economists who came to the EIS on short-term contracts in the 1930s also resulted in major innovations in the young field of macroeconomics, and is the best-known aspect of the League’s economic work after Austria’s postwar reconstruction.¹⁴ Some have credited these economists, such as Gottfried Haberler, Jan Tinbergen, and Tjalling Koopmans, with essentially inventing the field of open economy macroeconomics.¹⁵ By the end of the 1930s, as the League’s more ambitious international aims proved out of reach, the organization transformed into one of the most important sites for the study of the national

¹² Alexander Loveday, *Britain & World Trade: Quo Vadimus and Other Economic Essays* (London: Longmans, Green and Co., 1931), 1.

¹³ “Members of the Financial Section and Economic Intelligence Service.” RF.RG1.100.18.148.

¹⁴ See, for example, Patricia Clavin, *Securing the World Economy*, 198-230.

¹⁵ Louis Pauly, *Who Elected the Bankers?*, 70.

economy. The development of modern national economic management thus crucially intersected with that of international governance as Europe approached the brink of war.

But while it has been suggested that business cycle research at the League was centrally focused on the question of how cycles were transmitted internationally and, by extension, what had made the Depression a truly global problem, closer investigation reveals this was not the case.¹⁶ By the end of the 1930s, in fact, little had been written about the business cycle and its international transmission, even as work on the national business cycle reached a new pitch of mathematical refinement and empirical sophistication. This raises a question: why, in the face of a downturn of unprecedented international reach and severity, was there still so little work on the business cycle as a global problem? In the 1920s, what had slowed the development of international cooperation on business cycle research was fear that this research threatened financial orthodoxies. In the 1930s, the ignorance this fear had created became obvious and troubling, and many insisted it was hindering any concerted international effort to solve the Depression. The financial orthodoxies themselves were now anyway up for grabs. But the major recent innovations in economics had come in the study of the national economy; international economic relations were still largely understood in terms developed in the nineteenth century. As the 1930s progressed, this situation came to be seen as less and less tenable. The difficulty of understanding the international dimension of business cycle theory seemed to be preventing international economics from sloughing off its outdated classical assumptions and from being modernized into a science capable of comprehending the world crisis.¹⁷ It was obvious that new

¹⁶ John Toye and Richard Toye, "How the UN Moved From Full Employment to Economic Development," *Commonwealth & Comparative Politics* 44.1 (2006): 16-40, at 17; Neil de Marchi with Peter Dohmann, "League of Nations Economists and the Ideal of Peaceful Change in the Decade of the 'Thirties.'"

¹⁷ Johan Åkerman, *Economic Progress and Economic Crisis*, trans. Elizabeth Sprigge and Claude Napier (London: Macmillan, 1932), 144-164

and sophisticated theories of the national economy had important international implications, but business cycle theory could not just be awkwardly fit into existing understandings of international trade and finance. A more systematic and complex understanding of the world economy was needed. Yet in the 1930s studying the international propagation of cycles was being held back – not only by the inability of the League to offer policy advice to its member states, for political reasons, but by the dearth of reliable, plentiful, and standardized statistical data from different national contexts.¹⁸

The problem of data centralization and analysis had recently moved to the center of efforts to modernize the offices and administrative practices of the modern state,¹⁹ and various high modernist projects were developed for collecting and centralizing human knowledge into a “Mundaneum” or “world brain.”²⁰ But by the end of the 1930s – even as many came to see international stability as depending, first and foremost, on controlling the worldwide transmission of business cycle downturns – the lack of information about the world economy meant they were still largely working in the dark. No one doubted the reality of the world economy any longer – nor the need for its management. But the logistical and epistemic challenges of this task seemed greater than ever. How they were approached led to a dramatic expansion of techniques and machinery for measuring international economic life, which would continue to grow, from this point onwards, for decades to come.

¹⁸ Oskar Morgenstern, “International Vergleichende Konjunkturforschung,” *Zeitschrift für die gesamte Staatswissenschaft* 83.2 (1927): 261-290, at 261.

¹⁹ Jon Agar, *The Government Machine: A Revolutionary History of the Computer* (Cambridge, MA: MIT Press, 2003).

²⁰ W. Boyd Rayward, ed. *European Modernism and the Information Society: Informing the Present, Understanding the Past* (London: Routledge, 2008).

II. The Origins of the League's First Study of the World Crisis

The first major international investigation of the Depression was set into motion in September 1930 with a resolution of the League's Eleventh Assembly "to promote the world study of what is essentially a world problem, and to devise means by which countries may acquire a greater control over their economic destinies."²¹ This resolution was proposed by the Indian delegate Jehangir Coyajee, a Calcutta-based economist and Indian government official, at a meeting of the Second Committee of the Assembly on September 19. Most discussion on the crisis at the Assembly that month had focused on the world agricultural depression that had reduced purchasing power in agricultural countries to the detriment of industrial ones. On this view, the stock market crash was less a caesura than an aggravation of a situation that had been getting worse for years: "Hat der Bauer Geld, hat die ganze Welt," as one Polish delegate put it. ("If the farmer has cash, the whole world is awash.") Coyajee seized on this understanding of the crisis to advocate for a more universalistic approach to the League's economic work. Plans for agricultural stabilization restricted to Europe, on his view, would fail to solve the problem, since the agrarian countries that provided the most demand for manufactured goods were not European. It was only by raising the standard of living around the world that consumption could be brought into line with the massive increases in agricultural production over the previous three decades.²² Coyajee was particularly unnerved about a conference held in Warsaw in August 1930, where agricultural ministers from most Eastern European states had met to hatch plans for

²¹ "Economic Work of the League of Nations. Report of the Second Committee to the Assembly." LON OJ SS 84 (1930), 556. Salter had been planning a comprehensive research program on the "economic sources of international friction," but this was intended more as a follow up to the 1929 study of Moritz Julius Bonn and André Siegfried than a systematic investigation of the Depression. Salter asked Jacob Viner to lead it. Viner to Salter. 4 January 1930. Viner Papers. PUA.

²² Fourth Meeting [of the Second Committee of the Assembly]. Held on Saturday, September 20th, 1930, at 10 am. LON OJ SS 86 (1930), 28-36.

a preferential customs union for agricultural goods.²³ These plans were seen as the first step towards realizing the plans of European union laid out by Aristide Briand at the Tenth Assembly of the League in 1929. Briand's plan was rejected by British officials on the grounds of incompatibility with universal aims of the League of Nations, but the French delegation submitted a draft resolution to the Assembly in September 1930 for the establishment of an organization to study the feasibility of these plans. The Commission of Enquiry for European Union, chaired by Briand, first met that month against the backdrop of growing momentum for customs union between Germany and Austria.²⁴

These discussions about a European response to the world crisis sparked debate among non-European League delegates about what effect Europe-specific plans for recovery would have on the rest of the world. Some insisted that European stabilization was all that was needed to bring the non-European world out of depression. The Chinese delegate Wu Ch'ao-shu, citing Confucius and Sun Yat-sen, suggested that regional unions like Briand's could also be gradually linked together to form a world confederation.²⁵ Others, like the Haitian delegate Dantès Bellegarde, insisted that the promise of Briand's plan was the liberation it would offer from the yoke of American economic imperialism.²⁶ While Bellegarde was right to insist that the aim of Briand's plan was to provide a European counterweight to American dominance of the world economy, the role Haiti would play in these plans was undoubtedly far from Briand's mind.

²³ Joseph S. Roueck, *Contemporary Roumania and her Problems: A Study in Modern Nationalism* (Stanford: Stanford University Press, 1932), 167.

²⁴ M. Margaret Ball, *Post-War German-Austrian Relations: The Anschluss Movement, 1918-1936* (Stanford: Stanford University Press, 1937), 100-113.

²⁵ Eleventh Plenary Meeting. September 16th, 1930. LON OJ SS 86 (1930): 103-104.

²⁶ Bellegarde was one of the few delegates at the Assembly at this time to speak of the "world economy," an entity whose existence had been proven, he argued, by the worldwide contagion of the crisis. "It is not enough merely to accept the existence of this world economy," he insisted, "we must endeavor to organise it, taking as a basis the natural laws, which, within the framework of each State, have governed the organisation of national economic policies by the co-operation of members of the nation in private enterprise and public service." Third Plenary Meeting. September 11th, 1930. LON OJ SS 86 (1930): 43-44.

Other non-European members objected to these Eurocentric plans, and insisted that they failed to take into account the worldwide nature of dependency between agricultural and industrial production. As the Indian delegate Ganga Singh, the Maharaja of Bikaner, put it:

Does not the interdependence of the various countries of the world, and the organic connection between industry and agriculture, point insistently to the desirability of making all international co-operation in the economic sphere, not sectional or regional, but, as far as possible, worldwide? For what affects one part of the world to-day must react sooner or later upon others, and what effects industry must ultimately react upon agriculture.²⁷

Coyajee shared this view. His call for studying the Depression as a worldwide problem, and his rejection of European-focused plans, was backed by delegates from the British Dominions, Japan, and by the British representative Susan Lawrence, who likely saw his initiative as a way of throwing cold water on the French proposals.²⁸

After it was passed, Coyajee's resolution led to the first major international program of study on the world's economic system as a distinct object of analysis, and set into motion the three major research initiatives of the 1930s at the League's EIS: first, the study of the course and phases of the world depression; second, the compilation of the EIS's many statistical reports into the annual *World Economic Survey*; and third, the program of business cycle research initiated by the Austrian economist Gottfried Haberler in 1934. Work on the first of these initiatives began immediately after the conclusion of the Assembly meetings in September 1930. The plan was to place an economist in Geneva who would liaise with different business cycle institutions and national economic councils.²⁹ The latter was a new form of economic

²⁷ Eleventh Plenary Meeting. September 16th, 1930. LON OJ SS 86 (1930): 103.

²⁸ Sixth Meeting of the Second Committee [of the Assembly]. Held on Tuesday, September 23rd, 1930, at 9.30 am. LON OJ SS 86 (1930), 56

²⁹ Sixty-Fifth Session of the Council. Work of the Financial Committee during its Forty-Second Session, including the twentieth report of the League Commissioner for the Settlement of Bulgarian Refugees. LON OJ 12 (December 1931): 2251.

administration, combining representative and advisory functions, that had emerged across postwar Europe, and in a handful of non-European states, in the 1920s. In many states, these councils were the first standalone government offices to plan and debate national economic policy as a comprehensive whole. The aim of bringing business cycle institutes into conversation with national economic councils was to provide each with what it lacked: national governments could get the expertise they needed, and economic experts the power they wanted. The aim, as Loveday put it, was to get those ““whose business it is to interpret facts” to work with those ““whose business it is to alter facts.””³⁰

The expert chosen to lead the study was the Swedish economist Bertil Ohlin, to whom Loveday wrote in October 1930 with the offer of 2,780 Swiss francs per month and a team of staff under his direction in Geneva.³¹ Ohlin had been appointed that year as professor of economics at Stockholm University on the basis of his pioneering 1924 dissertation on the theory of international trade, which was expanded and translated into English in 1933 as *Interregional and International Trade*. His work transformed the study of international economics by popularizing the so-called “Heckscher-Ohlin” model of comparative advantage, and would earn him the Nobel Prize in 1977. Later in the 1930s, Ohlin became a leading player in the Swedish Liberal Party and a founder of the so-called “Stockholm School” of macroeconomics, which some credit with having presaged the theoretical insights of Keynes’s *General Theory*.³² In 1930, he was known outside of Sweden largely for a series of debates in the *Economic Journal* with

³⁰ “The Business Depression. Memorandum of Meetings of Representatives of Economic Councils and Research Institutes, Geneva, March 2 to 4, 1931.” Edward Eyre Hunt Papers. Box 17. HIA.

³¹ Alexander Loveday to Bertil Ohlin. 27 October 1930. F:4. Bertil Ohlin Papers. SE/RA/720093. Riksarkivet. Stockholm, Sweden.

³² For biographical sketches of Ohlin see Ronald Findlay, Lars Jonung, and Mats Lundahl, eds., *Bertil Ohlin: A Centennial Celebration (1899-1999)* (Cambridge, MA: The MIT Press, 2002), esp. “Introduction.” See also Otto Steiger, “Bertil Ohlin, 1899-1979,” *History of Political Economy* 13.2 (1981): 179-188.

Keynes on the monetary economics of the German reparations problem.³³ For his work at the League, Ohlin was to be stationed in Geneva from January to August 1931, where he would compile as much data as possible from the business cycle institutions and economic councils to create the first real-time survey of the world economy in crisis.

In March and July 1931, members of the European business cycle institutions and national economic councils were invited to Geneva to pool the data they had collected and to discuss a draft of Ohlin's report. The young Austrian economists Friedrich Hayek and Oskar Morgenstern were in attendance, as well as Gini, Wagemann, and the American economist Jacob Viner. Representatives came from the national economic councils of nine European countries.³⁴ The U.S., which lacked an economic council or any other kind of centralized economic office, sent Edward Eyre Hunt, a member of Hoover's Committee on Recent Economic Changes and secretary of the President's Emergency Committee for Employment. Bringing U.S. economic officials to Geneva was seen as a major achievement by both sides: until this point, Hoover's group had had little contact with similar institutions abroad, and the League had lacked a direct line to economic policy-makers in Washington.³⁵ Discussion at these meetings turned largely on the question of whether the crisis was a severe, though normal, cyclical downturn, or the outcome of, as Hayek put it, "structural maladjustment growing worse and more pronounced" since 1918.³⁶ Many agreed with the latter idea, but it posed awkward questions about what kind of solution was possible. The Florentine economist and devout fascist Gino Arias, for example,

³³ Keynes published three articles and Ohlin two in their debate on the German transfer problem in three consecutive issues of the *Economic Journal* from March 1929 to September 1929.

³⁴ Meetings of Representatives of National Economic Advisory Councils and Economic Research Institutions. Provisional Minutes. March 2nd, 1931. 11 a.m. LON R2890.

³⁵ "A Set of 'Specifications' for the Current Undertaking of the Committee on Recent Economic Changes and its Relation to Possible Future Activities." LON P142.

³⁶ Meetings of Representatives of National Economic Advisory Councils and Economic Research Institutions. Provisional Minutes. March 3rd, 1931. 10.30 a.m. LON R2890.

suggested that the corporatist state was the clear solution to the problem of uneven postwar structural transformation.³⁷

More challenging than political dispute was the difficulty of combining the disparate sets of data provided by national representatives into a coherent world picture. Loveday described this problem in a series of memos from the spring of 1931. While the business cycle had become an international problem, the ways in which it operated in each country was unique, since – as Ernst Wagemann had demonstrated – different national organization responded differently to the “forces at play.” Research had been narrowly devoted to “the national reactions to world forces,” rather “than to the world forces themselves.”³⁸ Comparing different national studies of the crisis usually resulted only in a basic chronological account of its unfolding. To understand the reasons for its contagion, a picture of “world phenomena and of world forces” had to be extracted from the discrete national studies. This kind of work could only be done at the League, Loveday insisted, since the organization’s officials had unparalleled understanding of the national laws, customs, and administrations in light of which the statistical “raw material” for this kind of study had to be interpreted. The Secretariat was also “in the fortunate position of being in constant personal touch with experts on an almost endless range of subjects from practically all the countries of the world.”³⁹ But Loveday was skeptical about what this kind of study could achieve. While representatives from labor governments hoped it would provide guidance on government measures to tackle the crisis, Loveday thought this was unrealistic: “if you want to deal with a depression,” he wrote, “you have do to deal with it before it starts and not after.” On his view, the real promise of Ohlin’s study was that it would bring Hoover’s Committee on

³⁷ “Economic Depression Inquiry.” Notes by Edward Eyre Hunt. Hunt Papers. Box 17. HIA.

³⁸ “Memorandum on the Inquiry into Economic Depression.” May 12, 1931. Hunt Papers. Box 17. HIA.

³⁹ “Memorandum on the Inquiry into Economic Depression.” April 10, 1931. Hunt Papers. Box 17. HIA.

Recent Economic Changes into cooperation with the League, and would appease delegations from the non-European countries that had called for it in the first place. The study might have little academic value, but it could prove a useful demonstration of the League's responsiveness to demands for action.⁴⁰

Loveday was wrong. Ohlin's report, published in September 1931 as the *Course and Phases of the World Economic Depression*, was highly influential, and was consulted by many of the major analyses of the world depression published in the following decades. It offered a sophisticated presentation of a commonly-held view of the crisis as the outcome of decades of global overproduction in agricultural goods and raw materials. According to Ohlin, expanded worldwide production since 1913, and a corresponding increase in standards of living, had led to higher demand for manufactured goods, while the mass entry of women into the workforce increased household income and new social insurance policies shifted income from investment to consumption. More money was being spent on entertainment and luxury goods – automobiles, gramophones, wireless sets, cigarettes, and books – while demand for wheat, the world's staple crop, was plummeting. More diversified and refined diets in the West shifted consumption away from basic cereals and towards fruit, dairy, meat, and sugar, and rising demand for food in newly industrializing countries, like China, was not adequate to offset the declining prices that resulted. At the same time, the large-scale introduction of tractors and combines, new methods for selecting seeds and plants, and the use of fertilizer had led to a major expansion of wheat production. Powerful cartels also expanded production of industrial raw materials far beyond what was demanded. When business cycles around the world turned downward in the autumn of 1929, this dramatically exacerbated the global deflation already underway. Structural

⁴⁰ Alexander Loveday to Per Jacobsson. 1st October 1930. LON P141.

transformations in international finance made the situation more volatile, as long-term lending dried up and short-term loans accelerated.⁴¹ In addition to recounting this common understanding of postwar global overproduction, Ohlin's study offered a novel microeconomic explanation of how individual consumer tastes – such as the rise of tinned food – had transformed the international economic system. It also provided an explanation for the changing shape of the world's economic geography – a phenomenon of increasing concern to observers in Europe. During the chaos of the immediate postwar years, production expanded everywhere outside of Europe, with Europe only returning to prewar levels of production in 1925. This had led to the “centre of gravity of the world's economic life” shifting westwards.⁴²

But while rich in detail, Ohlin's study, published as an official League document, did not contain any recommendations for national policies.⁴³ Ohlin did not shy away from expressing his views elsewhere: he insisted on the need for reflationary measures at the national level and internationally coordinated public works programs,⁴⁴ and was quick to criticize the League's insistence on policy neutrality in private correspondence. In October 1931, Ohlin complained to Loveday about the restrictions placed on his work and the misplaced energies of the League's Economic and Financial Committees, which had limited their work to immediate financial issues or problems that “have nothing to do with the business cycle,” such as tariffs and cartels. None of the League committees were focusing on measures to alleviate the Depression. Only the Gold Delegation, which Ohlin sat on, had had the limited ability to do so. Ohlin asked Loveday and Stoppani if he could produce a shorter memorandum on policy for the Economic and Financial

⁴¹ League of Nations, *The Course and Phases of the World Economic Depression* (Geneva: League of Nations, 1931).

⁴² *Ibid.*, 14.

⁴³ Memo on Ohlin's report. 23 October 1931. LON R2883/33123/22556.

⁴⁴ See, for example, Bertil Ohlin, “Now or Never: Action to Combat the World Depression,” *Index Svenska Handelsbanken* 7.77 (1932): 127-157.

Committee on both financial and political measures to “prevent catastrophes,” and longer-term solutions to problems, such as the gold question, to prevent the Depression from being as long lasting as that of the late nineteenth century.⁴⁵ But this was bound to place Ohlin into compromising political situations, since any serious policy discussion would lead inevitably to the two problems the League could not touch: inter-Allied debts and reparations.⁴⁶

IV. Surveying the World

Ohlin’s 1931 study nevertheless set into motion a series of annual publications on the conditions of the world economy. The idea of an annual world economic survey had first been proposed at a September 1929 meeting of the Second Committee of the Assembly by the Australian economist and League delegate Frank McDougall, who insisted, like many others, that the League’s economic work was being held back by its ignorance about the world economy and by the “virtual impossibility of finding any source of really reliable information” on it.⁴⁷ To lead this annual survey, drawing on the masses of statistical information being collected by his group, Loveday hired the Australian economist John Bell Condliffe in September 1931. Condliffe, who had grown up in New Zealand and worked at the New Zealand official statistical bureau until the war, had been professor of economics from 1920-26 at the Canterbury College before becoming Research Director of the Institute of Pacific Relations in early 1927.⁴⁸ After accepting Loveday’s offer, he worked at the EIS until September 1936, writing the first six volumes of the *World Economic Survey*, when he took up an academic chair in commerce at the London School of

⁴⁵ Record of Conversation with Prof. Ohlin. 23rd October 1931 and Ohlin to Stoppani. October 13, 1931. LON R2883/33123/22556.

⁴⁶ Records of the Twelfth Ordinary Session of the Assembly. Minutes of the Second Committee. Work of the Financial Organisation: General Discussion. LON OJ SS 95 (1931): 49.

⁴⁷ Third Meeting of Second Committee of Assembly. September 12, 1929, at 10.30 a.m. LON OJ SS (1929): 21.

⁴⁸ On the history of this organization, see Tomoko Akami, *Internationalizing the Pacific: The United States, Japan, and the History of the Institute of Pacific Relations in War and Peace, 1919-1945* (New York: Routledge, 2003).

Economics. His position was then taken over by the young Keynesian economist James Meade from Oxford. Between 1937-39, Condliffe was chair of the Geneva Research Center, before moving to Berkeley in 1940, where he became an important intellectual in the U.S. working on plans for a postwar international economic order.⁴⁹ When he arrived in Geneva in January 1932, Condliffe joined an organization he saw as providing unparalleled informational services and that was insulated from the political turmoil by then engulfing the League more broadly. He was convinced the EIS's statistical work would transform economic theory, since the data it compiled offered possibilities for analysis that had "hitherto not been possible to economists in any particular country."⁵⁰ It was through publications like the *Memorandum on Production and Trade*, he insisted, that the "spade work" was being done for future studies of the business cycle and international economics.⁵¹

Loveday thought that Condliffe's work had high stakes: since the League had failed to achieve its political goals, it would live or die based on the technical services it could provide. But his organization was being weakened by the growing budget problems, since several member states had recently stopped paying contributions.⁵² Producing its publications was putting major strain on the organization's small staff, who often worked all night, particularly since Loveday was still occupied with financial reconstruction tasks in Central and Eastern Europe. Condliffe described the effects of these "depressing budgetary difficulties" on the staff's morale:

I have never worked even in New Zealand in an office which was so cramped by necessity for considering every penny. Publications are delayed, in some cases for years, because there isn't any money. Committees can't meet. The senior staff is grotesquely

⁴⁹ J.B. Condliffe Bio and CV. 8th April 1929. J.B. Condliffe Papers. Bancroft Library, University of California, Berkeley (hereafter, BLB). Box 1.

⁵⁰ J.B. Condliffe to Selskar Gunn. June 16, 1932. RF.RG1.100.18.148.

⁵¹ J.B. Condliffe to Edmund Day. January 13th, 1932. RF.RG1.100.18.148.

⁵² Selskar Gunn to Rufus Cole. June 22, 1932. RF.RG1.100.18.148.

overworked and equipment is very meagre. I am full of admiration for what Loveday has managed to do under the circumstances and I am not surprised to find the sickness rate in this section particularly high.⁵³

The funding cutbacks were making it difficult to work on the projects that had brought Condliffe to Geneva: writing a follow up report to Ohlin's study with a "sustained study of international aspects of business cycle fluctuations," and calling regular meetings in Geneva of representatives of business cycle institutions and national economic councils.⁵⁴ Some feared the League would cancel its economic research work altogether.⁵⁵ In response, Condliffe sought out the financial support of the Rockefeller Institution, which was funding research at the NBER and at Mises's and Hayek's Institut für Konjunkturforschung in Vienna thought to be useful for combatting the global appeal of Bolshevism.⁵⁶ The EIS was seen as uniquely capable of approaching this task from a "world point of view," though the Rockefeller benefactors worried about the limits of League research: since the organization could not offer any criticisms of government policy, its activities would be limited to "purely fact-finding."⁵⁷

The first volume of Condliffe's *World Economic Survey* was published in the summer of 1932 as a "natural sequel" to Ohlin's study from the year before. Like Ohlin, Condliffe described the Depression both as a short-term problem of cyclical downturn and the result of longer-term structural transformations. He documented the crisis's features in thorough statistical detail – slumping prices around the world, the breakdown of international trade and finance, uncontrollable debt – and briefly mentioned the two possible national response to the crisis: the deflationary and the reflationary. But, like Ohlin, he had to avoid extended discussion of official

⁵³ J.B. Condliffe to Edmund Day. January 13th, 1932. RF.RG1.100.18.148.

⁵⁴ J.B. Condliffe to Selskar Gunn. June 16, 1932. RF.RG1.100.18.148.

⁵⁵ John van Sickle report on Financial and Economic Intelligence Service. December 21, 1930. RF.RG1.100.18.148.

⁵⁶ "Proposed Foundation Program in Economic Stabilisation." Edmund E. Day. September 19, 1931. On the Rockefeller Foundation's funding of the EIS, see also Ludovic Tournès, *Les États-Unis et la Société des Nations (1914-1946): Le système international face à l'émergence d'une superpuissance* (Bern: Peter Lang, 2016), 275-290.

⁵⁷ John van Sickle report on Financial and Economic Intelligence Service. December 21, 1930. RF.RG1.100.18.148.

policy, and focused instead on the relations of individual consumers and producers across the “developing organic whole” of the world’s economic system. This system had to be seen as the aggregate of the “complex and multitudinous activities of the peoples of the world in their everyday struggles for livelihood,” and not as the totality of discrete national systems.⁵⁸

Like Ohlin, Condliffe explained the origins of the crisis in agricultural countries of the southern hemisphere, which, while “remote from Europe,” were “equally bound up in the world economy.”⁵⁹ The growing availability of data from places where it had previously gone uncollected or been kept secret, particularly colonial territories, allowed Condliffe to offer an expansive picture of falling prices for primary goods from around the world: coffee from Brazil, rubber and tin from British Malaysia, wood pulp from Sweden, frozen meat from the Argentine, and raw silk from Japan.⁶⁰ More than anything else, this view of the link between slumping prices in the primary producing countries of the south and the industrial depression of the north was helping to solidify an understanding of the world economy as an earth-spanning system linked through demand, consumption, employment, and production, and not only through direct financial and commercial ties. Older assumptions about the chasm between the advanced economies of the metropolitan world and those of its “uncivilized” peripheries were beginning to give way. This experience of the casual relation between deflation in primary producing countries and recession in industrial ones laid the basis for the schemes of international development and commodity price stabilization that would become so popular in the 1940s.

Condliffe insisted that the liberal economic systems of postwar Western Europe had fallen from their former position at the center of the economic world. Their “hegemony” had

⁵⁸ League of Nations, *World Economic Survey 1931-32* (Geneva: League of Nations, 1932), 9-10.

⁵⁹ *Ibid.*, 26

⁶⁰ *Ibid.*, 63.

been abruptly dislodged by the rise of North American financial power, the growth of East Asian trade, and the emergence of two competing modes of economic organization in fascist Italy and Soviet Russia. The war had encouraged the industrialization of non-European countries, especially China, India, South Africa, Australia, and the large South American states, and had accelerated the rise of the Pacific world, which was now the site of the world's fastest rate of population growth. The most important trend of the postwar period was the shifting of world trade from the Atlantic to the great Asian and Pacific ports of Shanghai, Singapore, Hong Kong, Kobe, Sourabaya, Batavia, Suva, Manila, Vancouver, and San Francisco. Condliffe reflected an idea that had become common among observers in Asia: that the dislocations of the First World War would facilitate the rise of Asian states to new positions of influence in a Western dominated world economic order.⁶¹ For Condliffe, the rise of Asia had enormous potential for the future of the West: he emphasized the importance of the fact, first recognized by the Chinese nationalist leader Sun Yat-sen, that the future of Western industry crucially depended on the development of the East. If even just adequate Western loans for the Chinese railways could be put into place, "the world would be richer, international trade larger and freer, and capital more secure."⁶² Given the long-term trends of falling birth rates in "advanced" countries and the industrialization of "hitherto backward" ones, it was clear that the future belonged to the latter.⁶³ After 1925, world trade had begun to shift back to Europe, and the outbreak of the Depression had hit southern agricultural and mining states the hardest. Without rescuing these southern economies, the "growing points of world trade," Condliffe wrote, the restoration of the world's "economic organism" would be impossible.⁶⁴

⁶¹ Adam Tooze and Ted Fertik, "The World Economy and the Great War," 227-228.

⁶² J.B. Condliffe, "The Pressure of Population in the Far East," *Economic Journal* 42.166 (1932): 196-210, at 209.

⁶³ League of Nations, *World Economic Survey 1933-34* (Geneva: League of Nations, 1934), 56.

⁶⁴ League of Nations, *World Economic Survey 1931-32*, 160.

But Condliffe too felt constrained by his inability to get involved with real questions of policy. This limitation was becoming increasingly difficult to maintain in the face of the worsening global crisis, with the most obvious problems crying out for solution being exactly those the organization could not touch.⁶⁵ Officials at the ILO, by contrast, were attempting to carve out a much larger role for themselves as advocates for specific economic policies and as vanguards of a new reflationary approach to the global crisis. Relations between the economic experts of the two organizations remained tense, though members of the ILO conceded their League counterparts provided better scientific analysis, even when this resulted in a generally “anti-reflationist” orientation. The supposed neutrality of the League seemed to mask the organization’s commitment to policies that were unfriendly to labor. Officials from the two organizations were unlikely to find much political common ground, but it was important for them to be “singing in harmony if not in unison.”⁶⁶ But as a League official, Condliffe was not allowed to offer much in the way of specific policy recommendations, beyond a general exhortation to open commerce and the occasional criticism of more extreme nationalist policies. He could not use the survey to express an opinion about anything under discussion at the League or the ILO.⁶⁷ His publications, like all of those of the EIS, did betray a general normative orientation: like most of his colleagues, Condliffe consistently espoused liberal solutions, in varying degrees, and in private correspondence and non-League publications he made his opinions clear. But a strong demonstration of support for specific policies, even liberal ones, was taboo. Condliffe was harshly censured by Loveday and Avenol, for example, for providing the League’s imprimatur to a document written by Rappard that was critical of the 1932 Ottawa

⁶⁵ Alexander Loveday to Basil Blackett. 1 February 1932. Alexander Loveday Papers. Nuffield College, Oxford University (hereafter, NCO). Box 50.

⁶⁶ Note to the Director. ILO XE 1/5/1.

⁶⁷ Alexander Loveday to J.B. Condliffe. 4 December 1930. Condliffe Papers. Box 25. BLB.

Agreements. This was a major source of embarrassment to Loveday and Avenol, who were viciously attacked by the organization's Canadian delegates for having violated the League's standard procedures of neutrality.⁶⁸

Shortly before he tendered his resignation in June 1936, Condliffe described how these restrictions had made it impossible to do the kind of research that was needed:⁶⁹ “in a big administrative machine with delicate political problems, a temporary member of section as I am cannot do more than act loyally through his Director and the Director has to consider many other aspects of a particular problem than scientific desirability.”⁷⁰ By this point, the political work of the League was dead – “or at least in a trance,” as Condliffe put it in 1937.⁷¹ But even as the League turned away from political questions to technical questions, and the Depression demonstrated the need for a worldwide coordination of economic research, the organization was prevented from using this research to offer policy advice to its member states. “Secretariat publications are concerned not with policy but with fact,” Loveday wrote, “they make no criticism of policy; they propound no doctrine; they preach no gospel. They collate; they analyse; they record. It is for the reader to judge.”⁷²

III. The Challenges of Global Data Collection

But the importance of this act of “collating, analyzing, and recording” should not be underestimated. In the early 1930s, most states did not systematically collect enough data, particularly on industrial production, to follow the international unfolding of the crisis. While the

⁶⁸ Tracy Kitteredge to J. Van Sickle. 1 February 1936. RF. RG 1. 100. 18. 150.

⁶⁹ Joseph Avenol to J.B. Condliffe. June 6th, 1936. Condliffe Papers. BLB.

⁷⁰ J.B. Condliffe to John van Sickle. 27 January 1936. RF.RG1.100.18.150.

⁷¹ J.B. Condliffe to Gottfried Haberler, 22 March 1937. Gottfried Haberler Papers. Box 70. HIA.

⁷² Alexander Loveday, “Geneva as Centre of Economic Information,” *Index Svenska Handelsbanken* 9 (1934): 195-216, at 208.

British state had made use of data on overseas trade collected by customs agencies since the early eighteenth century, for example, and the Board of Trade had offered an index of retail prices from the turn of the century,⁷³ it would not, as late as 1940, be producing reliable national income estimates or measuring employment and production.⁷⁴ In June 1930, Loveday complained to Salter how bad this situation was in Britain: “there is no central body coordinating and comparing [statistics], and above all, there is no body whose duty it is to investigate the information as a whole, point out where gaps in the information exist and see to it that measures are taken to fill these gaps. In fact there is complete absence of any general thinking apparatus.”⁷⁵

Loveday’s efforts to turn his EIS into just such a “thinking apparatus” were seeing some progress, however, and his group was collecting more and better data from governments that until then had tended to guard it jealously or not produce it at all. The League’s statistical work had begun just after the creation of the Secretariat in 1919 in conjunction with the International Statistical Institute and the International Institute of Agriculture in Rome, and built off of the work of the Supreme Economic Council in measuring commodities and foodstuffs across Europe and abroad. In May 1919, the League’s Council agreed to establish an international statistical commission, staffing representatives from other organizations, which in the run-up to the 1920 Brussels Conference published a three-volume work with data on international trade and the financial and fiscal conditions of many different states. This work was expanded during the 1920s, and focused on standardizing and centralizing data, mostly financial, collected from national governments and non-governmental organizations: on gold reserves, discount rates,

⁷³ Frank Trentmann, *Free Trade Nation*, 91.

⁷⁴ Keith Tribe, *Economy of the Word*, 91-92.

⁷⁵ Alexander Loveday to Arthur Salter. June 18th, 1930. Loveday Papers. Box 50. NCO.

rates of exchange, national debt, and so on.⁷⁶ In the 1930s, this work took off on a larger scale. When an annual survey of balance of payments was started in the 1920s, for example, only two countries provided reliable estimates. In 1932, the EIS published a uniform set of numbers for thirty-three.⁷⁷ The principal task of the EIS was to compile as much information as possible into large statistical compendia and memoranda on trade, public finance, banking, and production. Information for these publications often came from other private research institutions, such as the International Institute of Agriculture in Rome. Government data was solicited by questionnaires sent by post, which then had to be put into systematic and internationally-standardized form. This was a time-consuming task, given the many different legal and administrative systems to which the numbers corresponded. This data was then usually compiled into aggregate indices, which could offer a broad picture of economic fluctuations, but not always a precise one: “importance should be attached not so much to the absolute magnitude of this or that figure,” as a disclaimer at the opening of a 1932 volume of the *Review of World Production* put it, “as to the direction towards which the whole mass of accumulated data tends to point.”⁷⁸

Efforts to create a centralized system of worldwide data collection had originated in the late nineteenth century, and had seen particularly important innovations with meteorological statistics. While commissions began to collect data from telegraph and post from weather stations around the world – which was seen as a necessary complement to the other technologies that had facilitated the recent expansion of long-range shipping – this task was complicated by how long it took to collect this data and the competing national methods used for categorizing it. These difficulties marked the collection of global economic data in the 1930s, since national

⁷⁶ Alexander Loveday, “The League of Nations and International Trade Statistics,” *Annals of the American Academy of Arts and Sciences* 94 (1921): 156-159.

⁷⁷ J.B. Condliffe to Selskar Gunn. June 16, 1932. RF.RG1.100.18.148.

⁷⁸ League of Nations, *Review of World Production, 1931-2* (Geneva: League of Nations, 1932), 12.

governments and private agencies still gathered, categorized, and sent this information by post or telegraph to a centralized bureau elsewhere, where it would be laboriously standardized.⁷⁹ Unlike weather data, the collection of economic statistics was an inherently political task, and tended to be resisted by private actors who sought to avoid tax burdens or by public actors who saw the concealment of information in strategic terms. The basic problem with international data collection, as Keynes pointed out in his *Treatise on Money*, was that these efforts would only ever be as good as the data that was gathered on the national level in the first place.⁸⁰

One problem was that the plethora of competing, fragmented, and sometimes overlapping pockets of sovereignty and jurisdiction making up the structures of the international system were themselves not conducive to the production of plentiful, reliable, and easily standardized statistics. In Egypt, for example, many industries were managed by foreigners, who refused to respond to official statistical questionnaires, but who were protected from fines and penalties for refusing to do so by the system of capitulations. This made it impossible for Egypt to produce a reliable estimate of economic activity, as an aggregate, taking place within its borders.⁸¹ In the case of competing sovereignties, statistical enquiries could also be used as a means of solidifying territorial claims, and thus had to be approached with caution. In 1930, for example, the Persian government insisted to the League that the inclusion of economic data about Bahrain under the heading of “British Dominions/Colonies” was an affront to Persian claims to the islands.⁸² When it came to the invariably bad data on colonial territories, officials usually explained this problem on the grounds of racial inferiority. The poor economic surveys of the Netherlands East Indies,

⁷⁹ Paul N. Edwards, *A Vast Machine: Computer Models, Climate Data, and the Politics of Global Warming* (Cambridge, MA: The MIT Press, 2010), 49-59.

⁸⁰ John Maynard Keynes, *A Treatise on Money*, Volume II (London: Macmillan, 1930), 408.

⁸¹ League of Nations, *Proceedings of the International Conference Relating to Economic Statistics. Geneva, November 26th to December 14th, 1928*. League of Nations Publications. Economic and Financial (1929. II. 21), 44.

⁸² “Letter form the Persian Government to the Secretary-General of the League of Nations.” January 17th, 1930. LON OJ 4 (1930): 307.

as one Dutch delegate to a 1928 conference on economic statistics in Geneva described it, was due to the low mental capacity of native rural communities, who were unable to respond adequately to demographic inquiries.⁸³ These racist explanations masked what contemporaries would have recognized as an obvious fact: that imperial competition had long made governments reluctant to publicize economic data about the colonial territories they controlled and the resources that lay within their borders.

The challenge for the EIS was therefore to collect as much data as possible in the face of these challenges and to republish it in a useful form for policymakers. Different publications relied on different methods. The *Statistical Yearbook*, for example, provided all the numbers that were available, even when they were obviously inaccurate. This meant including Liberia in a table on world motorcycle production, for example, even if the available documents showed only ten motorcycles built in Liberia in the previous year. The *Monthly Bulletin of Statistics* was more selective, including numbers thought to give an overall picture of the state of world business. Other publications, such as the *World Review of Production and Prices* and *Review of World Trade*, did not sort data by state, but rather in terms of a world unit, which was then broken down into regional and imperial sub-groups. Figures for this publication were collected on:

the population of the world and each country, territory or island that constitutes a recording unit, the area of these territories, the division of that population by age groups and occupations, births, marriages and deaths, employment and unemployment; then the results of that population's economic activity: the production of a long list of foodstuffs and raw materials, indices of industrial output; the means of transport: railways, motor vehicles, registered shipping etc.; finally, the financial structure: currency, commercial bank deposits, budget accounts, public debt, prices, exchange rates, discount rates, wages.⁸⁴

⁸³ League of Nations, *Proceedings of the International Conference Relating to Economic Statistics*, 36-37.

⁸⁴ Loveday, "Geneva as Centre of Economic Information," 198

Equally challenging as the logistical difficulties of standardizing this data was calculating total “world production.” Governments still did not tend to directly measure the production of finished goods and foodstuffs, which meant this work could often be done only indirectly by measuring the output of industrial raw materials and crude foodstuffs. (The only two states to produce reliable estimates of total industrial production were Sweden and Finland.)⁸⁵ While a rough picture of rise and fall in total output and demand over time could be offered on the basis of aggregate figures on the production of various industrial raw materials and crude foodstuffs, this method did not result in reliable information, since rationalization continually made it possible to produce more goods with fewer inputs. The total production of crude foodstuffs also depended on other factors besides total demand – the weather, most notably. Some important raw materials and crude foodstuffs, including dairy products, timber, and fruit, were poorly measured and had to be excluded from any index. Two of the largest agricultural countries, China and the Soviet Union, provided no data whatsoever.⁸⁶ Public capital issues and short-term movements of international capital were total mysteries, with the latter usually tabulated by guesswork.⁸⁷ The size, distribution, and growth of world population could only be approximated, particularly since enormous countries, like China and Russia, provided unreliable census figures.⁸⁸

Since Loveday’s first foray into collecting international economic statistics in 1919, however, the range of his work had become more universal. For the 1927 edition of the *Statistical Yearbook*, for example, data on total heads of livestock was available for only three African territories: Algeria, Egypt, and South Africa. In 1931, it was compiled for thirty-three. This information was still not complete: the 1931 volume, for example, suggested that zero

⁸⁵ Loveday, *Britain and World Trade*, 13.

⁸⁶ League of Nations, *World Production and Prices, 1925-1932* (Geneva: League of Nations, 1933), 15.

⁸⁷ Loveday, “Geneva as Centre of Economic Information,” 208-209.

⁸⁸ Loveday, *Britain and World Trade*, 2-4.

horses and zero pigs were kept in Uganda between 1926-29. But the breadth of its information was staggering, and was not simply presented in long lists. The EIS publications also offered careful explanations for why numbers varied according to local conditions and methods of compilation. A sudden increase in population numbers for the Dutch East Indies between 1905 and 1920 was explained as the result of improved methods for counting native populations outside Java and Madura, while fluctuating birth and death rates for Egypt was accounted for by the absence of Bedouins from population censuses before 1917.⁸⁹ The publications of the EIS from the early 1930s provided an overview of the world's economic activity that showed the entire earth becoming statistically visible as a system in motion. These influential publications – the first and only of their kind – were drawn on by most contemporary overviews of international economic affairs, including the official *World Economic Review* released by the U.S. Department of Commerce, the theoretical works of major Soviet economists,⁹⁰ early diagnoses of the global depression,⁹¹ and the writings of many social theorists on international economic problems.⁹²

The work of sifting through and organizing the vast amounts of data required for these publications posed difficult challenges of informational organization. Measuring world economic activity was, in great part, as Loveday described it, a problem of “purely mechanical administration,” which “resolved itself mainly into one of rapidity and accuracy, and therefore of employing the best possible mechanical means.” The EIS was split into sub-sections, each controlled by an expert on a particular topic – currency and banking, for example, or trade – who liaised with the sections responsible for producing the *Statistical Yearbook* and the *Monthly*

⁸⁹ League of Nations, *World Production and Prices, 1925-1932*, 16-17.

⁹⁰ See, for example, Eugen Varga, *The Great Crisis and its Political Consequences* (London: Modern Books, 1935).

⁹¹ See, for example, Lionel Robbins, *The Great Depression* (London: Macmillan, 1934); Wilhelm Röpke, *Krise und Konjunktur* (Leipzig, Quelle & Meyer, 1932).

⁹² See, for example, Karl Polanyi, “Mechanisms of the World Economic Crisis 1931-1933,” in Kenneth McRobbie and Karl Polanyi Levitt, eds. *Karl Polanyi in Vienna* (Montreal: Black Rose Books, 2006), 347-358.

Bulletin of Statistics. This work was then coordinated by Loveday at the top. In addition to surveying documents collected from governments, the staff had to read 250 different publications each week. The “simple labour involved in extracting the information required from this vast mass of literature” was extraordinary. The work of putting into systematic presentations was even more so. In May 1930, Loveday, in a bid for greater funding for his section, described to Salter the painstaking manual labor performed by his staff:

The Statistical Yearbook contains about 110 tables. If we take an average of 50 countries given for each table and nine years of statistics we find that the total number of figures contained is just short of 50,000, but at least half of the figures are at first provisional. All these figures are tabulated in the first place on cards which means therefore a tabulation for this single volume of at least 75,000 separate figures. Similarly, in the Memorandum on Production and Trade we produce an annual index of the production of foodstuffs and raw materials. The compilation of this single index involves, I am told, about 50,000 separate calculations. We have at the moment the task of preparing a list of ports open to trade in the world. I reckon that these ports number some 70,000. As the document has to contain an alphabetical list for the world and an alphabetical list for each statistical area all of these ports have to be copied in the first place on cards.⁹³

The publication Loveday referred to not only contained an alphabetical list of all of the world’s 70,000 ports – from Aabenraa in Denmark to Zwönitz in Germany – but also information on the customs district in which each port was located and the body of water on which it was located. This information was then split into separate tables according to world regions – including Antarctica, which had one official port, Bouvet-øya – and to the sovereign jurisdiction to which each port belonged.⁹⁴

The monotony and physical energy required to copy down this information was exacerbated by the disorganization of Loveday’s office. The cards on which all of this information was copied were not kept in one place, nor did the clerks who wrote them work in

⁹³ Alexander Loveday to Arthur Salter. May 30th 1930. Loveday Papers. Box 50. NCO.

⁹⁴ League of Nations, *List of Ports of Loading and Unloading Open to International Trade*. 1930. C.215.M.103.1930.II.

the same room.⁹⁵ Physical storage was in short supply. During the war, shelving the index cards needed to keep track of the world's total supply of shipping had required multiple stories of a building in London. With even more data now, there was less room for it. The rare and classified documents the staff of the EIS collected were simply piled into cardboard boxes, where they would be destroyed instantly in the case of fire.⁹⁶ What his organization desperately needed, Loveday pleaded to Salter, was an expert on the "mechanics of office organization."⁹⁷ The stakes were high: Loveday explained the importance of his statistical work on the grounds that it was necessary to shape policies to insulate citizens from the dangers of international economic integration. What was needed was some understanding of economic forces spreading "through space either as waves of light or heat spread or as spread the microbes of infection."⁹⁸ The world economy was no longer just a theoretical construct, or a futuristic internationalist fantasy, but was now a more "significant – in a sense a more threatening – reality." But understanding its logics seemed to require far more data than it would ever be possible to collect.

V. Two Visions of the Global Business Cycle

These organizational, technological, and political challenges of global economic data collection were widely recognized in the early 1930s as holding back the progress of international economic science. Business cycle research was still focused on closed national systems, and the relations between these systems were usually still studied in terms of comparative advantage. In his major 1933 textbook on international economics, the British economist Roy Harrod could only offer a few basic ideas for the unevenness of the effects of

⁹⁵ J.B. Condliffe to Edmund Day. January 13th, 1932. RF.RG1.100.18.148.

⁹⁶ John van Sickle report on Financial and Economic Intelligence Service. December 21, 1930. RF.RG1.100.18.148.

⁹⁷ Alexander Loveday to Arthur Salter. June 18th, 1930. Loveday Papers. Box 50. NCO.

⁹⁸ Loveday, "Geneva as Centre of Economic Information," 195-196.

shocks across the world system. “Not all parts of the world are as closely linked together as some,” he wrote:

The world monetary system may be thought of as all embracing, but some sections of the system are slower to feel the effects of general influences and less effective in reacting on the other sections; this may be due to their geographical remoteness, to the primitive nature of their economic life or to their having, like Soviet Russia, deliberately cut themselves out of the system in some measures.

In this context, Harrod wrote, the idea of the “world” could not be taken literally.⁹⁹ There was a growing awareness of the monetary transmission of booms and busts, and international trade theory was, by the middle of the 1930s, becoming somewhat more attentive to crisis and cycles.¹⁰⁰ But the work to date, as Jacob Viner admitted in 1937, had been largely “based on a somewhat mechanical application of a particular – if not peculiar – cycle theory to a superficial analysis of the mechanism of international trade.”¹⁰¹ In the 1940s, some insisted that the exclusion of any discussion of the business cycle from the era’s two most important treatises on international trade, Ohlin’s 1933 *Interregional and International Trade* and Haberler’s 1936 *Theory of International Trade*, had damaged efforts to modernize trade theory.¹⁰²

One major work on this topic appeared in 1936 by the German economist Hans Neisser, formerly at the IfW and now at the Wharton School at the University of Pennsylvania.¹⁰³ Just before he joined the League’s EIS in 1937, Meade referred to Neisser’s book as one of the only works to address the fact that the business cycle was still almost always studied as an exclusively

⁹⁹ Roy Harrod, *International Economics* (New York: Harcourt, Brace, 1933), 159.

¹⁰⁰ Irving Fisher, “Are Booms and Depressions Transmitted Internationally Through Monetary Standards?” *Bulletin de l’Institut international de statistique* (1935): 1-29; Wilhelm Röpke, *Crisis and Cycles*, trans. Vera C. Smith (London: William Hodge & Company, 1936), 164-172.

¹⁰¹ Jacob Viner, *Studies in the Theory of International Trade* (New York: George Allen and Unwin, 1937), 432.

¹⁰² K.W. Rothschild, “The Small Nation and World Trade,” *The Economic Journal* 54.213 (1944): 26-40, at 27.

¹⁰³ Hans Neisser, *Some International Aspects of the Business Cycle* (Philadelphia: University of Pennsylvania Press, 1936). See also Hans-Michael Trautwein, “Some International Aspects of Business Cycles: Neisser, Haberler and Modern Open Economy Macroeconomics,” *Zentra Working Papers in Transnational Studies* 46 (2015): 1-32.

national question.¹⁰⁴ This was also the focus of the dissertation of Dag Hammerskjöld, later Secretary General of the United Nations, which was published in 1933 as *Konjunkturspridningen*.¹⁰⁵ In a 1935 article, the Australian economist Colin Clark, who would soon become the world's leading expert on national income accounting, used monthly data from the U.S., Britain, France, and Germany from 1889-1913 to show a very close correlation between discount rates, exchange rates, and gold movements in these four countries.¹⁰⁶ To some, it was obvious that tight money in one country would drag gold towards it and thus push down prices and contract credit and business activity in other countries, while the increase in international short-term lending appeared to spread destabilizing effects widely.¹⁰⁷ It was also becoming more common to hear of "world demand" and the effects that diminished purchasing power in agricultural countries was having on trade, and thus employment, in industrial countries that relied on the former for export markets. When demand in industrial societies for primary goods dropped, this in turn worsened the position of agricultural countries.¹⁰⁸

Most obviously, the explosion of unemployment numbers nearly everywhere in the early 1930s was a clear sign of the ever closer interdependence of nations. As this new world picture emerged, fresh calls were issued for action to control it on a world scale. "What is therefore commonly called the "world-crisis" is a composite of different economic conditions which,

¹⁰⁴ James Meade, review of Hans Neisser, "Some International Aspects of the Business Cycle." *Economic Journal* 47.187 (1937): 531-532, at 531.

¹⁰⁵ Dag Hammerskjöld, *Konjunkturspridningen: en teoretisk och historisk undersökning* (Stockholm : P.A. Norstedt, 1933).

¹⁰⁶ Colin Clark, "Die Internationale Verflechtung volkswirtschaftlicher Bewegungsvorgänge," *Weltwirtschaftliches Archiv* 42 (1935): 400-442.

¹⁰⁷ See, for example, John Maynard Keynes, "An Economic Analysis of Unemployment," in Quincy Wright, ed., *Unemployment as a World-Problem*, 1-42, at 14.

¹⁰⁸ Charles Kindleberger, *International Short-Term Capital Movements* (New York: Columbia University Press, 1937), 235-237.

combined in different ways and degrees, as a unit presents the picture of a general economic upheaval,” wrote the Austrian economist and ILO consultant Karl Pribram:

For there can be little doubt that we are in the midst of a radical reorganization of world economic production and of the economic relations between country and country, and the consequences are affecting every country in a different degree, to the extent to which it is financially tied to others (whether as creditor, having invested its capital abroad, or as a debtor, being dependent on foreign money markets) or is bound to dispose of its production on foreign markets in order to maintain its economic existence. But, however much the position may vary in different countries, there can be no doubt that just as unemployment has been caused in every country by factors deriving from world economic conditions, so it can only be eliminated by an economic process operating on a world-wide scale.¹⁰⁹

This was similar to the process underway on the national level, where an aggregate vision of the national economy was solidifying just as macroeconomic policies to manage it were being developed. Contemporaries described the totalizing model of the world economic system needed to understand the crisis as analogous to this aggregate national picture just then under development – “a theory that explains the entire world economic business cycle,” as one German economist put it, “just as one comes or attempts to come to a unified theory of the national economic business cycle, even though the individual parts of a national economy show similar differences in the flow of business cycles as do the different areas of the world economy.”¹¹⁰

One of the first major books to explicitly take up the task of studying the world business cycle was Ernst Wagemann’s 1931 *Struktur und Rhythmus der Weltwirtschaft* (*Structure and Rhythm of the World Economy*), which aimed to merge the German theory of “world economics” with Wesley Mitchell’s style of business cycle analysis.¹¹¹ Wagemann had worked closely with League and ILO officials in the 1920s studies of economic barometers, and the IfK provided a

¹⁰⁹ Karl Pribram, “World-Unemployment and its Problems,” in Wright, ed., *Unemployment as a World-Problem*, at 85-86.

¹¹⁰ Albert von Mühlentfels, “Internationale Konjunkturzusammenhänge,” *Jahrbücher für Nationalökonomie und Statistik* 130. III. 75 (1929): 801-828, at 803.

¹¹¹ Ernst Wagemann, *Struktur und Rhythmus der Weltwirtschaft* (Hamburg: Hanseatische Verlagsanstalt, 1931), 7-8.

major source of information for the EIS. Ohlin's 1931 study drew heavily on its data. Wagemann had begun publication of a quarterly journal of business cycle data in 1926, the *Vierteljahrshefte zur Konjunkturforschung*, which offered data on economic activity around the world paralleled only by the publications of the EIS itself. Each issue opened with an up-to-date description of world economic conditions, with a standalone work on this topic, *Weltwirtschaftliche Lage Ende 1925*, published in 1926 as a collaborative effort between the IfK and the Reich's Statistical Office. In the mid-1920s, Wagemann's institute was leading major innovations in the macroeconomic study of the German economy, and in 1925, it began work on estimating Germany's national income, providing an important source of information for the Weimar government. Its aggregate picture of the German economy was used in debates about reparations and the Dawes Plan and in some of the earliest government policies for promoting the growth of national income for its own sake.¹¹² Loveday was a huge fan of the organization's work, which he saw as rivaled only by the NBER in the U.S.¹¹³ The IfK also collected a large set of world economic data, and its publications offered detailed explanations of how shocks in one part of the world economy reverberated across the entire system. When the May 1926 general strike in England cut off British coal output, for example, it led to a major shipping shortage, as coal importing countries struggled to find alternative sources. This raised freight prices in all countries to which these importing countries were connected, from Canada to the Balkans, which in turn raised prices for various commodities. Despite good global harvests, the price of cereals shot up dramatically.¹¹⁴

¹¹² Adam Tooze, *Statistics and the German State*, 101-148.

¹¹³ Alexander Loveday to Arthur Salter. June 18th, 1930. Loveday Papers. Box 50. NCO.

¹¹⁴ Institut für Konjunkturforschung, *Vierteljahrshefte zur Konjunkturforschung* 1.3 (1926): 6.

Wagemann's 1931 book offered a complex theoretical explanation for how these relations of world economic interdependence were established and functioned. He described the world economy as a chaotic, though organic, amalgam of a vast set of highly diverse and bounded national systems. Unlike Ohlin's study, which saw the world as fundamentally flat, its individual inhabitants connected at great distances through trade and finance, Wagemann's lacked an account of individual enterprise or microeconomic behavior. He insisted that understanding the world economic system required detailed study of all of the world's different national systems from a great variety of disciplines. The basic argument of the book was the same idea that had motivated his work at the League-ILO barometers group in late 1926: that the world's economic system had to be seen as an organic composite of every different national economy, each with a unique character determined by its natural, geographical, ethnographic, political, and legal features.

According to Wagemann, each national economy had a specific "organizational form," understood as the totality of rules governing production and consumption within its borders. There were four such forms: the free subsistence economy, a primitive form of agricultural economy; the free profit economy, the ideal typical form of economic organization described in classical political economy; the bound profit economy, a new type of economic organization, based on a high-degree of combination in the form of cartels, syndicates, and unions (which some referred to as "state capitalism"); and the bound subsistence economy, unique to the Soviet Union. Each organizational form also operated at a certain level of intensity. There were the non-capitalist areas of much of sub-Saharan Africa and Central Asia, the Pacific, Mesopotamia, and Mongolia; the neo-capitalist economies of the British Dominions and Latin America, where little capital and little labor was employed; the semi-capitalist areas of East and Southeast Asia, North

Africa, Russia, China, India, Turkey, and Persia, where little capital but much labor was employed; and the mature capitalist economic systems, in which high levels of both capital and labor were employed in Western Europe, Japan, and the U.S. Every national economic system had both a specific organizational form and level of intensity. The contemporary U.S., for example, had a mature-capitalist free profit economy. The Soviet Union, by contrast, was a semi-capitalist, bound subsistence economy. “Capitalism” as most used the term only applied to “free profit” economies at the level of “mature capitalism.”¹¹⁵

The world economy, the totality of these different national combinations, was an uneven and haphazardly constructed system, with its constituent parts existing at many different levels of development and operating according to different rules. These differences explained how shocks and cycles were transmitted around the world, and it was the unsystematic nature of this arrangement that made the whole system so unstable. Understanding this aggregate system required a natural scientific, even medical, approach to the study of its constituent parts and their organic interconnection – just “as botany brings the world of plants into a system,” Wagemann wrote elsewhere, “or dactyloscopy classifies the infinite variety of fingerprints.”¹¹⁶ Wagemann’s account drew far more from German traditions of social theory and historical economics, as well as anthropology and ethnography, than Ohlin’s and Condliffe’s microeconomic account of world business activity, demand, and consumption. Wagemann’s and Ohlin’s competing 1931 studies offered the two principal options for understanding the relationship of national business cycles and the world economic crisis in the early 1930s.¹¹⁷

¹¹⁵ Wagemann, *Struktur und Rhythmus der Weltwirtschaft*, 30-64.

¹¹⁶ Wagemann, *Economic Rhythm*, 174.

¹¹⁷ A third was offered by the Soviet economist Eugen Varga, who established an Institute for World Economy and World Politics in Moscow in 1927. See Gerhard Duda, *Jenö Varga und die Geschichte des Instituts für Weltwirtschaft und Weltpolitik in Moskau 1921-1970: Zu den Möglichkeiten und Grenzen wissenschaftlicher Auslandsanalyse in der Sowjetunion* (Berlin: Akademie Verlag, 1994). I am grateful to Adam Tooze for this suggestion.

Ohlin objected to Wagemann's idea of seeing the world economy as an organic totality of different types, though he admitted Wagemann's book filled an important gap in international economic science, since neither the German literature on the world economy nor Anglo-Saxon work on problems of international trade dealt with the question of how business cycles operated on the global level. But Wagemann's focus on structure had led to him to ignore "the dynamic problem of propagation." His organic view of the relationship between national economies and the world economy saw exogenous shocks acting on a national system as being absorbed into this system according to its own specific structure, just as different biological organisms reacted differently to certain stimuli. There was no one way to understand how these shocks from outside would effect a national economic system without understanding its structure in extraordinary sociological, geographical, legal, and political detail. Wagemann's focus on these structures made his book more a comparative study of national business cycles than a study of the world economy. By neglecting to make use of the insights of Anglo-Saxon theories of trade and capital movements, Ohlin argued, Wagemann had been unable to account for what exactly drove the international transmission of business cycles.¹¹⁸

VI. Could the World Economy be Understood?

But neither could Ohlin or his colleagues at the League make much headway on this question themselves. Most attempts to theorize the global business cycle during these years were criticized as groundless for lack of sufficient data. League officials could make use of the technology and prestige of their organization to pry open sources of information from

¹¹⁸ Bertil Ohlin, Review of Ernst Wagemann, "Struktur und Rhythmus der Weltwirtschaft: Grundlagen einer weltwirtschaftlichen Konjunkturlehre," *Weltwirtschaftliches Archiv* 36 (1932): 190-194.

governments that were usually reluctant to provide it. But they struggled to explain how economic interdependence functioned and how crises spread globally.

In the autumn of 1933, the EIS began preparations for a new and different project in line with Coyajee's resolution of September 1930. The efforts to coordinate the research of business cycle institutions that had begun in the spring of 1931 had been delayed due to a lack of funds and to attention being drawn to other emergencies.¹¹⁹ In April 1933, this work resumed when the EIS received a five year grant for \$125,000 from the Rockefeller Foundation.¹²⁰ Loveday resisted the efforts of Condliffe to turn the EIS into its own international business cycle institution;¹²¹ instead, the organization was to work towards achieving a consensus on business cycle theory. Until the outbreak of war in September 1939, when the major research activities of the EIS came to a temporary halt, Loveday's section focused less on international research than on questions of national business cycles and their statistical modeling. In 1937, Jan Tinbergen opened a major project of statistical business cycle testing, which led in 1939 to the publication of *Business Cycles in the United States of America 1919-1932*. This work represented a major innovation in econometrics, which some have credited with offering one of the first comprehensive statistical models of "the economy" understood as a "self-evident totality."¹²² In 1938, Tinbergen was replaced by his student and fellow Dutchman Tjalling Koopmans, who remained at the new home of the EIS at Princeton until 1941. (After the war, Koopmans worked at the University of Chicago, and was awarded the Nobel Prize in 1975). The new form of mathematical modeling and statistical testing of business cycle theory developed at the EIS in the

¹¹⁹ Alexander Loveday, "The League of Nations and Business Cycle Research," *The Review of Economics and Statistics* 18.4 (1936):157-161, at 157.

¹²⁰ "Interim Report of activities during 1933 in fields of concentration proposed at April meeting." Trustee meeting December 13, 1933. RF.RG3.910.213; Rockefeller Memorandum. April 12, 1933. RF.RG1.100.18.148.

¹²¹ "JVS [J. Van Sickle] Travel Diary. October 4/8, 1935. Geneva." RF. RG1. 100. 18.149.

¹²² Timothy Mitchell, "Fixing the Economy," 86-89 and "Economists and Economy in the Twentieth Century," 131.

late 1930s was limited to the national level. Whether or not it was the case that this new science effectively invented “the economy,” it was clear that any equivalently sophisticated study of the world economy was still far off.

The economist brought to Geneva in January 1934 to lead the League’s first in-house research on business cycles was the arch-liberal Austrian economist Gottfried Haberler, a friend of Hayek, Morgenstern, and Fritz Machlup from Ludwig von Mises’s private seminars in Vienna. Haberler remained at the EIS until September 1936, when he left to take up a professorship at Harvard University, where he became an important conservative policy intellectual. He later joined the American Enterprise Institute. His first report for the organization, “Systematic Analysis of the Theories of the Business Cycle,” finished in August 1934, touched only briefly on the international aspects of the problem, though he suggested that research needed to move in this direction, since very little was known about the international propagation of cycles. “It is no longer possible to say that prosperity or depression spreads from one country to the other, that one country leads and another follows suit,” he wrote, “the economic process extends over both.”¹²³ Haberler was urged to take up international questions during his time at the EIS: “we are so apt in our books to ignore the international problem,” as one reviewer of a draft of his 1934 study insisted, “partly because we have not the international point of view; and partly because we have not the necessary information. Now, it seems to me, that you, and you alone, can fill these two blanks from Geneva.”¹²⁴ But the one attempt to do so came in a single chapter of his major publication of this period, the 1937 *Prosperity and Depression*, which lacked empirical detail or much high-level theoretical discussion. Its basic insight was prosaic: that every economic actor was “linked up – sometimes directly, always

¹²³ “Systematic Analysis of the Theories of the Business Cycle.” LON R4539/10B/12653/12653.

¹²⁴ Alec L. MacFie 5th Jan. 1935. LON R4539/10B/21852/12653.

indirectly – with the farthest corners of the earth.”¹²⁵

For its comprehensive assessment of different theories of the national business cycle, Haberler’s work represented a milestone in the development of macroeconomics, and led to a series of international conferences to discuss its findings. Loveday organized one such meeting in Geneva in June 1936, to which he invited many of the world’s leading economists: Ohlin, Morgenstern, Tinbergen, the leading American Keynesian Alvin Hansen, Lionel Robbins, Dennis Robertson, and Wilhelm Röpke. Discussion at the conference passed only briefly over the international aspects of the book, with Ohlin asking why “small cyclical tendencies” tended to remain national, and why large ones became global. Framing the question in this way implied that analysis was better spent on understanding why minor downturns became larger depressions than on any particular study of their international propagation.¹²⁶

A follow-up to the June 1936 meeting in Geneva, now to focus directly on international questions, was scheduled for 30 miles south in the French resort town of Annecy. The roster of invitees was expanded to include other economists and League and ILO experts, such as Rappard and Mises.¹²⁷ The agenda for the conference, written by the Russian-German mathematical statistician Oskar Anderson from the University of Sofia, posed a new research question: how should the external forces exerting pressure on national economies – trade and capital movements; changes in other countries’ purchasing power, exchange rates, prices, and wages; divergences in national monetary and fiscal policy, and unevenly adopted technological changes

¹²⁵ Gottfried Haberler, *Prosperity and Depression* (Geneva: League of Nations, 1937), 302.

¹²⁶ “Committee of the Experts on the Business Cycle. Meeting held at Geneva on Monday, June 29th [1936] at 10:30 a.m.” Ohlin Papers. RA. F:16.

¹²⁷ Earlier suggested invitees had included Ernst Wagemann, Jacob Viner, John Maynard Keynes, Joseph Schumpeter, Wesley Mitchell, Ralph Hawtrey, and Gunnar Myrdal. Alexander Loveday to J. Van Sickle. 3 January 1936. LON R4539/10B/21852/12653.

– be understood? “Can we say that these forces possess a certain organic unity that warrants the conclusion that there is such a thing as a ‘world economy?’ Or are they nothing more than a physical aggregate of unrelated and disjointed forces resulting from many conflicting national programs and policies?”¹²⁸ This was a different understanding of the world’s economic system: as a field of external forces that exercised destabilizing pressure on national economies. And it implied new problems for national policy-making. In his comments on Anderson’s draft agenda, Haberler put his finger on what would become the central question of international economic policy-making going forward:

Is it (a) possible economically and (b) feasible practically and socially to carry through a policy of expansion on an international scale or, if that is impossible, is it at least possible to choose the methods of expansion which are to be adopted in some countries in such a way that the economic intercourse between the various countries is not thereby restricted too much? Probably the future of international trade will depend on how this problem is tackled.¹²⁹

Innovations in both the study and management of the national economy was leading to a reframing of the problem of the global: as a sophisticated form of macroeconomics was developed, the problem of how to reconcile national economic management with the traditional internationalist aims of commercial and financial integration took on greater importance. The growing tension between the new national political economy and those parts of the economic “mechanism” that were highly internationally integrated (finance, stock markets, credit), Condliffe wrote in 1932, was the fundamental dilemma of the era.¹³⁰

Discussion at the Rockefeller conference at Annecy of July 3-5, 1936, chaired by Condliffe, turned on the question of how to determine precisely “what economic process in

¹²⁸ Draft Agenda. RF.RG3.910.4.31.

¹²⁹ Gottfried Haberler. Notes on Draft Agenda for Conference called by the Rockefeller Foundation to Consider the Desirability and Feasibility of Encouraging Coordination of Fundamental Economic Research upon Problems of Economic Change.” LON R4539/10B/21852/12653.

¹³⁰ League of Nations, *World Economic Survey 1931-32*, 45-46.

different countries appear to be definitely related to international movements,” as Wesley Mitchell put it in his comments on Anderson’s draft, “and also what economic processes seem to be relatively immune to such influences.” Hansen suggested that national economies were more sensitive to external conditions than they had been before the war, as an interconnected world economy, based on the gold standard, had given way to “groups of opposed economies.” Before the war, the Belgian economist Leon Dupriez added, “the national economies were so similar in character that a thorough study of one gave one a clue to understanding them all.” When one country suffered a crisis, this was diffused “slowly and with decreasing forces” to other economies. International contagion after the war had become a far more complex phenomenon. Compared to the relative ease of understanding the prewar world economy, Morgenstern insisted, there was little knowledge of how these external forces operated now. But could a “world economy” actually be said to exist? The idea of a national economy was a “purely statistical concept,” Robbins suggested, “but so long as there remains an international dependence of prices and costs, in spite of obstacles in the way of this interdependence, then every national economy is a dependent part of a world economy.” The lack of a “world polity” had complicated efforts to bring this world economy under any control. Others suggested that it was precisely this lack of a world polity that meant one could not speak of a world economy. Reiterating what was now an increasingly old-fashioned view, Rappard insisted repeatedly that there was no such thing as the world economy. States were merely bound together, to varying degrees, through economic relations and processes no one fully understood.¹³¹

¹³¹ “Record of the Discussions at the Conference Called by the Rockefeller Foundation to consider the Desirability and Feasibility of Encouraging Coordination of Fundamental Economic Research upon Problems of Economic Change. Annecy, July 3rd, 4th, 5th, 1936.” RF. RG3. 910. 4.31.

Most could agree that this lack of understanding was primarily the result of bad data. While progress had been made by business cycle institutions at the national level, they could not count on reliable sources of information from other countries. Without this information, Morgenstern insisted, no researcher would ever fully understand the external forces acting on the national economy that was being studied. The EIS provided a valuable service, but there was always a delay between the collection of international data and it being made available to national institutions. Some were more despondent about the situation: “the data available for the study of nearly all subjects was uniformly bad,” as the ILO economist P.W. Martin put it, “and was quite useless as it was not comparable between different countries.” The ILO took information “from anywhere where it can be got, including some highly undesirable sources.”¹³² This problem was particularly bad when it came to the non-industrial world. The lack of good data available from agricultural countries, Mises insisted, was blinding researchers to the “slower, fundamental, glacier-like” structural changes in these countries that were also transforming the economies of the industrialized world. But it was nearly impossible to establish effective data-gathering institutions in primary producing countries, since there were few experts among the “natives” who could staff them. Condliffe objected: not only was there much better data from these places than Mises thought, but it was a waste of time to simply send out economic “missionaries” from the West. It was equally foolish to bring to the West experts from China, for example, to school them in statistical methods and then send them back home “to push ill-adjusted European ideas down the throats of the Chinese people.”¹³³ Instead, Condliffe

¹³² “Record of the Discussions at the Conference Called by the Rockefeller Foundation to consider the Desirability and Feasibility of Encouraging Coordination of Fundamental Economic Research upon Problems of Economic Change. Annecy, July 3rd, 4th, 5th, 1936.” RF. RG3. 910. 4.31.

¹³³ Condliffe took the slight personally, as he recounted to Viner: “A further development was a suggestion for new institutes in countries where the ‘natives’ couldn’t be expected to organise them, but would need the help of well trained young men from the fountainhead!! This seemed a good opportunity, speaking as a native, to have a pleasant 5 minutes or so on academic imperialism and the virtues of natives in China, Japan, N.Z., and other backward

suggested the establishment of “listening posts” around the world, and pointed to the work of League-affiliated researchers in Angora, Jerusalem, and Cairo. He had long called for the League to expand its statistical work in primary producing states, and had attempted to get the Rockefeller Foundation to establish research institutions in Australia and Argentina – where the “first warning signs of depression are often evident” – with the latter to be run by the young Argentinian economist Raul Prébisch.¹³⁴

But the methodological question that had framed the earliest work of the EIS in response to Jengahir Coyajee’s September 1930 Assembly resolution was still unanswered: how could national economic intelligence work be effectively coordinated at the international level? Anderson offered a new metaphor for how a “co-ordinating secretariat” might function: “as a telephone exchange to an economy in administration” or “like a central bank acts for clearing banks, distributing work among the various National Institutes and also moving balances in the form of financial aid.” But if the League were to take charge of this task, it could not be seen to be taking any particular positions on policy. Some suggested that the ILO, which was freer from political restrictions, might be able to do so. Rappard questioned the wisdom of creating any “formal organisation of economists” whatsoever “to comment on the policies of national governments.” Loveday agreed: while the future of statistical business cycle research belonged to the League, since it was uniquely capable of carrying out the “great quantity of mechanical routine work” this required, the organization could not “touch” any criticisms of national policy. A despondent Ohlin pointed out again how these restrictions were preventing a serious scientific study of the world crisis. He had learned more from the *Annual Survey of World Trade* from

areas!! Poor Mises, who had first used the word, was quite upset!!” Condliffe to Viner. 24 July 1936. Viner Papers. PUA.

¹³⁴ J.B. Condliffe to J. Van Sickle. 22 October 1935. RF.RG1.100.18.149.

what was left out of it due to political considerations than from what was included. “We need a picture of world economic problems,” he insisted. “Professor Condliffe’s official League of Nations Survey fills a gap, but we need something more elaborate... [this] had been one man’s work and was limited by official reserve; what we need is collective scientific authority behind an interpretative picture of international economic life.”¹³⁵ Ohlin was right not only to point to the political reasons that the League had been unable to produce the kind of complete interpretation he wanted, but also to the lack of other attempts to do so. Few economic journals published articles on questions of the world economy, besides the house journal of the IfW. Economics was squarely focused on the national.¹³⁶

More than anyone else, Oskar Morgenstern was worried about the possibility of ever developing a real science of the world economy. He insisted repeatedly in his publications from these years that innovations in the study of the national business cycle – itself still a very inexact science – offered little for understanding its international transmission. He summarized these views most powerfully in an article from 1943, by which point he had moved to the Institute for Advanced Study at Princeton, where he was collaborating with the Hungarian-American mathematician John von Neumann on their earliest work on game theory. According to Morgenstern, there simply was not enough statistical data to rule out any particular theory about the international transmission of business cycles. The best one could offer was a “casuistic enumeration” of the ways in which national economies appeared to be connected. Simply demonstrating the simultaneity of cycles in different countries, as Mitchell and Thorp had done,

¹³⁵ “Record of the Discussions at the Conference Called by the Rockefeller Foundation to consider the Desirability and Feasibility of Encouraging Coordination of Fundamental Economic Research upon Problems of Economic Change. Annecy, July 3rd, 4th, 5th, 1936.” RF.RG3.910.4.31.

¹³⁶ For a detailed discussion of this problem, see J.B. Condliffe’s report, “A Survey of International Research in Europe.” Carnegie Endowment for International Peace Records. Box 291. Rare Book & Manuscript Library. Columbia University, New York (hereafter, RBMLCU).

did little to show how they moved or were bound together. Other work that had been done on the international study of business cycles was based on several faulty assumptions. First, it made little sense to think of a national economy as a “unit” that entered “into relation with another which is again a definite unit,” since it was obvious that countries were interconnected on narrower grounds: through the trade in raw materials, for example, or through lending, investment, and migration. While these forces needed to be isolated and studied on their own, this still did not paint a clear enough picture. A raw material importing country would be affected by a change in raw material production in another country. But these effects could not always be tracked when they were not of a large magnitude. There did appear to be psychological connections between national economies, even when there were no immediate “physical” cause of transmission, most notably in the synchronization of rising and falling prices on different stock exchanges. Economies on the gold standard also appeared to march in unison, but assumptions that business cycles were transmitted via the gold standard had never been statistically verified.¹³⁷

It had become common in popular discourse to speak of a world economy, Morgenstern pointed out. But the attempt to elaborate a concrete science of “world economics” had been a failure. Talk of a “world market,” according to Morgenstern – if this were taken to mean a market that existed above and unconnected to specific national markets – was nonsense. The only truly de-nationalized economic phenomenon was tramp shipping, though tramp shipping was useless for understanding world conditions in the aggregate. The world system had a different meaning for different national economies as well for different spheres within a single national economy. “It should be clear that there is no room for superimposing a somewhat

¹³⁷ Oskar Morgenstern, “On the International Spread of Business Cycles,” *Journal of Political Economy* 51.4 (1943): 287-309.

mythical world economy,” he wrote, “with all its accompanying subsidiary notions upon the description and analysis that can be given in terms of parallel or interdependent variations of time series pertaining to specific national economies.”¹³⁸ Morgenstern’s extreme skepticism about the possibility of achieving any real understanding of the world’s economic system, whatever the merits of his analysis, speaks to a crucial fact about the development of international economic management during this period: that the epistemic challenges of dealing with a world crisis were seen to be nearly as difficult as the political.

¹³⁸ Ibid., 305.

PART III:
MANAGEMENT

CHAPTER FIVE

A “Thinking Machine” for India and China: The Origins of International Development

During the Depression

I. Corporatism Between Europe and Asia

In the first half of the 1930s, as the study of economic interdependence grew more sophisticated, the League of Nations and ILO still had limited powers to shape national responses to the Depression in Europe. The 1933 World Economic Conference had been a failure, and the Gold Delegation had been restricted to upholding gold standard orthodoxy after its initial attempts to suggest alternatives. But outside of Europe, more ambitious plans were developed. For some leading officials at the League, it was becoming clear that muscular national responses to the Depression were needed – provided that they could be coordinated at the international level to prevent full nationalist retrenchment. But what kinds of national administrations were best suited to the task of bringing the national economy under rational control? And what could be done for governments that lacked sophisticated and powerful economic bureaucracies? The first experiments with using an international organization to build up such national administrations – to oversee economic planning, industrial development, national economic policy-making, agricultural modernization, and economic data-collection – were attempted in the early 1930s in the League’s two most populous members: India and China.

Using an international body to establish national economic administrations where they did not yet exist would later become a standard aspect of international development programs. When a 1951 United Nations report on measures for the development of underdeveloped countries called for these countries to first “establish a central economic unit with the functions of surveying the economy, making development programmes, advising on the measures

necessary for carrying out such programmes and reporting on them periodically” this would have been understood in light of the transformations of the economic functions of the state of the 1930s and 1940s. The so-called “Keynesian Revolution,” as well as the many planning initiatives of these years, had demonstrated what a national economic administration should look like.¹ But at the beginning of the 1930s, the idea of having an international agency help agricultural states build up national economic institutions to oversee a program of industrialization was still an untested proposition – not least because most industrialized states themselves did not yet exercise significant centralized governmental control over their own national economies. It was not until 1936 in France, for example, that a specific ministry charged with general responsibility for the national economy was established under Leon Blum.²

This new direction for international economic management began in 1930, when Arthur Salter, shortly before his resignation, was invited to India to advise the colonial regime on the establishment of an economic advisory council.³ On 9 January 1931, he and his assistant Arthur Elliot Felkin arrived in Bombay, and spent six weeks travelling across India, meeting with colonial officials, chambers of commerce, and university professors.⁴ On 7 January, Salter was invited to China, along with Robert Haas, director of the League’s Communications and Transportation Section, to advise the new Nationalist regime on a similar project of bureaucratic modernization and economic development.⁵ In China, Salter spent six weeks in conversation with leaders of the Chinese Nationalist Party (Guomindang), sharing picnics with Chiang Kai-

¹ United Nations, *Measures for the Economic Development of Under-developed Countries* (Lake Success: United Nations Department of Economic Affairs, 1951), 93.

² Julian Jackson, *The Politics of Depression in France, 1932-1936* (Cambridge: University of Cambridge Press, 1985), 20.

³ William Wedgwood Benn to Eric Drummond, 29 Nov. 1930, LON R2667/10A/24177/24177.

⁴ “Report on India” Arthur Elliot Felkin Papers. King’s College Research Centre (hereafter, KCRC). Cambridge, United Kingdom. AEF/3/1/109.

⁵ Telegram, Chiang Kai-shek and T.V. Soong, 7 January 1931. LON R2667/10A/24177/24177.

shek and his wife Soong May-ling and meeting daily with Finance Minister T.V. Soong – both for policy discussions and afternoon rides on Soong’s prized Manchurian ponies, gifts from the “Young Marshal” Chang Hsueh-liang.⁶ On April 28, Salter travelled to Tokyo, before sailing on, via Honolulu, to San Francisco.⁷ His trip opened up the possibility of a new economic vocation for the organization he was about to quit: after the success of the League’s programs of financial reconstruction in Central and Eastern Europe in the 1920s, Salter was now attempting to help China and India build centralized economic administrations to oversee national plans of industrialization, infrastructural development, and agricultural improvement. Nothing like this had ever been attempted by an international organization before, either in Europe or beyond its borders.⁸

What Salter hoped to bring to India and China was the kind of national economic council that had emerged across Europe in the 1920s, and which had been called on to provide national data for Ohlin’s 1931 study. These councils typically combined representative functions – they were widely referred to as “economic parliaments” – with advisory ones. In some states, these were the first institutions to place economists into continuous government service. Europe’s first national economic council, the *Reichswirtschaftsrat*, was established in Germany in June 1920 to facilitate negotiation on economic policy between the country’s different interest groups. Originally designed to function at the apex of a national system of economic representation extending down to workers’ councils and district councils, as called for by Article 165 of the Weimar Constitution, the German council was created as a compromise between demands for a

⁶ Salter also enjoyed frequent countryside drives outside Nanjing with the American author Pearl Buck. “An Afternoon at Nanjing.” Salter Papers. SALT 1/1. CCA.

⁷ “Sir Arthur Salter’s Visit to Japan.” LON R2668/10A/31161/24177.

⁸ For a highly orientalist personal account of his 1931 travels in Asia, see Arthur Salter, *Memoirs of a Public Servant*, 208-227. For biographical details, see also Sidney Aster, *Power, Policy and Personality: The Life and Times of Lord Salter, 1881-1975* (Createspace Independent Publishers, 2016), chapter 5.

Soviet-style national system of workers' councils and wartime visions of an economic parliament organized according to occupational groups and modeled on the *Reichsvolkswirtschaftsrat* set up by Bismarck in 1881.⁹ Over the following decade, similar councils were established across Europe and in Turkey and Japan, with the two best-known – though very different – appearing in the Soviet Union (the Supreme Economic Council) and fascist Italy (the *Consiglio Nazionale di Corporazioni*). Enthusiasm for these institutions spanned the era's ideological camps: by combining representational and technocratic functions, they incorporated diverse aspects of socialist, syndicalist, fascist, pluralist, and Catholic visions of political economy.¹⁰ Contemporary political scientists described their emergence as the result of efforts to reconcile the increasing economization of modern political life with the practices of representative government¹¹ – and as evidence, as one put it, of a dramatic “change in attitude that is taking place toward the state.”¹²

In the early 1930s, while most of his colleagues at the League of Nations still defended liberal orthodoxies, Salter became a prominent spokesperson for the expanded use of national economic councils, and was centrally involved in British debates about the possibility of a capitalist form of economic planning.¹³ Salter straddled two generations of economic thought: one that took for granted the prewar shibboleths of laissez-faire, and another that looked to

⁹ Joachim Lilla, ed. *Der Vorläufige Reichswirtschaftsrat 1920 bis 1933/34. Zusammensetzung – Dokumentation – Biographien* (Düsseldorf: Droste, 2012); Herman Finer, *Representative Government and a Parliament of Industry. A study of the German Federal Economic Council* (London: London: G. Allen and Unwin, 1923).

¹⁰ Charles Maier is one of the few to have written about national economic councils from a Europe-wide perspective. See Charles Maier, *Recasting Bourgeois Europe*, 75 and 138-150 and “Between Taylorism and Technocracy: European Ideologies and the Vision of Industrial Productivity in the 1920s,” *Journal of Contemporary History* 5.2 (1970): 27-61, at 51-54.

¹¹ Karl Loewenstein, “Occupational Representation and the Idea of an Economic Parliament,” *Social Science* 12.4 (1937): 420-431, 529-530.

¹² E. Pendleton Herring, “The Czechoslovak Advisory Board for Economic Questions,” *American Political Science Review* 24 (1930): 439-450, at 439-440.

¹³ Daniel Ritschel, *The Politics of Planning: The Debate on Economic Planning in Britain in the 1930s* (Oxford: Oxford University Press, 1997), 176-178.

unleash the full powers of the postwar state and the new international organizations to bring capitalism under bureaucratic control. In his best-selling 1932 work, *Recovery: The Second Effort*, Salter called for the establishment of a representative National Economic Council in Britain to provide the expertise needed to bring order to modern capitalist relations – a task that seemed well beyond the capacities of existing government agencies.¹⁴ He hoped the creation of more economic councils around the world would also make possible the eventual emergence of a permanent world economic council made up of these subsidiary national bodies. At the very least, bringing together representatives from different national economic councils in Geneva would offer a new means of collecting and analyzing data on the world’s economic system and the unprecedented crisis it faced in the early 1930s.¹⁵

Salter was not alone in seeing this new kind of national economic administration as making possible the reconciliation of statist forms of political economy with the aims of economic internationalism. Others argued that the various national economic councils could be linked together to form a new kind of international economic administration. The French ILO official and economist Edgard Milhaud, for example, called for a “veritable International Economic Council analogous on the international plane” to the French National Economic Council.¹⁶ A widely-cited contemporary study argued that the emergence of national councils across Europe – of which the most exemplary was fascist Italy’s – represented the first step towards Europe’s economic unification.¹⁷ Calls for some kind of world planning administration or economic parliament superintended by the League of Nations became widespread during these

¹⁴ Arthur Salter, *Recovery: The Second Effort* (London: Bell, 1932), 245-6.

¹⁵ Arthur Salter, “International Collaboration in Solution of Economic and Financial Problems.” LON R2668/10A/31161/24177.

¹⁶ See, for example, Edgard Milhaud, “Peace, Cooperation, and Economic Agreements Between States,” 321.

¹⁷ Elli Linder, *Die Wirtschaftsräte in Europa: Ein Beitrag zur Frage der Schaffung einer europäischen Wirtschaftsunion* (Berlin: E.S. Mitter, 1931)

years, and received hearing at the League itself. In September 1931, the Italian delegate Giuseppe Bottai, a leading fascist intellectual and Italian Minister of Corporations from 1929 to 1932, called on the League's Council to encourage the worldwide establishment of national economic councils, "representing the most important economic and social elements in every State," and to give them direct representation on the League's Economic Consultative Committee.¹⁸ Salter, a supporter of Bottai's proposal, saw his own efforts to help India and China consolidate national economic control as part of this larger search for new ways of managing relations between the world's capitalist states. These efforts set into motion the earliest internationally-coordinated program of state-building outside of Europe.¹⁹

In China, Salter's early 1931 visit gave rise to the first internationally supervised large-scale scheme of economic development within a formally sovereign state – a point that is often missed in histories of economic development, which tend to overlook the role of interwar international organizations in favor of one of two different contexts, or some combination of both: first, that of American Cold War foreign policy after Harry Truman's January 1949 announcement of the Point 4 Program of foreign aid; and second, that of the overseas agricultural, infrastructural, and public health schemes of the European empires – both before and during the period of League of Nations' mandatory oversight.²⁰ The League's economic

¹⁸ Minutes of Sixth Meeting of the Second Committee of the Assembly. 18 September 1931. LON OJ SS 1 (1931), 30.

¹⁹ Salter, *Recovery: The Second Effort*, 250-251.

²⁰ Gilbert Rist's standard history of development is one of the few to mention it, though it devotes only four paragraphs to it. See Gilbert Rist, *The History of Development: From Western Origins to Global Faith* (London: Zed, 1997), 66-67. One notable exception is Margherita Zanasi, who suggests that the League's experience in Republican China set crucial precedents for the work of the World Bank and International Monetary Fund after 1945. See Margherita Zanasi, "Exporting Development: The League of Nations and Republican China," *Comparative Studies in Society and History* 49.1 (2007): 143-169. David Ekbladh and Eric Helleiner, drawing on Zanasi, mention the League's work in China in passing in their histories of development. See David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton: Princeton University Press, 2011), 14-39 and Eric Helleiner, *The Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order* (Ithaca: Cornell University Press, 2014), 190.

work in early 1930s China does feature in works on state-building during the Republican period,²¹ and has been treated in a few standalone studies.²² But none of this literature connects the League's work in China to the organization's broader strategies of international economic management during this period, and this work is not mentioned at all in new literature on the history of the League's Economic and Financial Organization. To be sure, Salter's efforts, in the short-term, were not entirely successful: in India, they were blocked by colonial officials wedded to liberal orthodoxies and fearful that changes would destabilize their rule; in China, they were foiled by the approach of war with Japan and the inability of the Nationalist regime to find secure sources of finance for their ambitious developmentalist schemes. But a narrow focus on the failure of the councils Salter designed in New Delhi and Nanjing misses the important legacies they left: in the 1940s, postwar planners in the U.S. looked back to the League's technical assistance to China as providing the earliest precedents for the kind of international development programs they sought to establish.²³

²¹ See, above all, Margherita Zanasi, *Saving the Nation: Economic Modernity in Republican China* (Chicago: University of Chicago Press, 2006). See also James C. Thomson Jr., *While China Faced West: American Reformers in Nationalist China 1928-1937* (Cambridge, MA: Harvard University Press, 1969), 114-115, 197-200; Arthur N. Young, *China's Nation Building Effort, 1927-1937: The Financial and Economic Record* (Stanford: Stanford University Press, 1971), 342-349; Ann Trotter, *Britain and East Asia, 1933-1937* (Cambridge: Cambridge University Press, 1975); Ian Nish, *Japan's Struggle with Internationalism: Japan, China, and the League of Nations, 1931-3* (London: Kegan Paul International, 1993), 16-22; William C. Kirby, "Engineering China: Birth of the Developmental State, 1928-1937," in Wen-hsin Ye, ed., *Becoming Chinese: Passages to Modernity and Beyond* (Berkeley: University of California Press, 2000), 137-160.

²² Ernst Neugebauer, *Anfänge pädagogischer Entwicklungshilfe unter dem Völkerbund in China, 1931 bis 1935* (Hamburg: Institute für Asienkunde, 1971); Jürgen Osterhammel, "'Technical Cooperation' between the League of Nations and China," *Modern Asian Studies* 13.4 (1979): 661-680; Robert Meienberger, "China and the League of Nations," in *The League of Nations in Retrospect*, 313-318; Susanne Kuß, *Der Völkerbund und China: Technische Kooperation und deutsche Berater, 1928-34* (Münster: Lit, 2005); Donald A. Jordan, "China's National Economic Council and the League of Nations Experts, 1929-1937," in Susanne Weigelin-Schwierzik, Agnes Schick-Chen, and Sascha Klotzbücher, eds., *As China Meets the World: China's Changing Position in the International Community* (Vienna: Verlag der Österreichischen Akademie der Wissenschaften, 2006), 123-132; Paul B. Trescott, "Western Economic Advisers in China, 1940-1949," *Research in the History of Economic Thought and Methodology* 28 (2010): 1-37. For a contemporary view, see Tze-hsiung Kuo, "Technical Co-operation between China and Geneva," *Information Bulletin* 1.6 (1936): 1-19.

²³ See, for example, J.B. Condliffe, *Agenda for a Postwar World*, 180-182.

Salter's efforts from 1930 also show something crucial about the global watershed in economic ideas and institutions that the early years of the Depression represented. The five years between the introduction of the Soviet Five-Year Plan in 1928 and the beginning of the American New Deal in 1933 saw a worldwide moment of excitement for experimentation in new forms of national economic control: from Soviet and capitalist ideas of planning; to fascist, syndicalist, guild socialist, and Catholic forms of corporatism; to plans for technocratic governance based on new techniques of proto-macroeconomic management then under development. Not all of these visions were long lasting; others became entrenched as orthodoxy, most notably the particular form of macroeconomic demand management later referred to as "Keynesianism." After 1945, as this new form of national economic governance became a truly global ideal, both capitalist and non-capitalist states came to see their ability to "*act on the economy* as a legitimate expression of national sovereignty."²⁴ In the early 1930s, before the consolidation of this globally-shared and standardized "lingua franca" of macroeconomic expertise,²⁵ the task of developing plans for managing a national economic system was still very much in an experimental phase, and many such plans incorporated ideas that later sat on opposite sides of the Cold War's ideological divisions.²⁶

²⁴ Marion Fourcade, "The Construction of a Global Profession: The Transnationalization of Economics," *American Journal of Sociology* 112.1 (2006): 145-94, at 157.

²⁵ On this idea, see Daniel Speich, "The Use of Global Abstractions: National Income Accounting in the Period of Imperial Decline," *Journal of Global History* 6.1 (2011): 7-28.

²⁶ For overviews, see, for example, Dirk van Laak, "Planung, Geschichte und Gegenwart des Vorgriffs auf die Zukunft," *Geschichte und Gesellschaft* 34.3 (2008): 305-326; David Engerman, "The Rise and Fall of Central Planning," in Michael Geyer and Adam Tooze, eds., *The Cambridge History of the Second World War. Vol 3*, eds. (Cambridge: Cambridge University Press, 2015), 575-598; David Laidler, *Fabricating the Keynesian Revolution: Studies of the Inter-war Literature on Money, the Cycle, and Unemployment*. For national studies, see G.C. Peden, *Keynes, the Treasury, and British Economic Policy*; Richard Kuisel, *Capitalism and the State in Modern France: Renovation and Economic Management in the Twentieth Century*, 93-114; Patrick Reagan, *Designing a New America: The Origins of New Deal Planning, 1890 – 1943* (Amherst: University of Massachusetts Press, 2000); Adam Tooze, *Statistics and the German State*.

Revisiting these efforts by Salter and his colleagues to bring to India and China novel practices of national economic management – still only in an early and uncertain form in Europe – sheds light on this larger story about how the task of bringing an economy under the control of the state was imagined, in both Europe and in Asia, before the so-called “Keynesian revolution” and the consolidation of the practices of national economic management that would become a global “common sense” by the end of the 1940s.²⁷ It also adds a new perspective to the history of the development before the Cold War, showing how the League of Nations was the first international institution to take charge of the tasks that would later become, in different forms, the standard responsibilities of development agencies: building state institutions, making international loans, providing technical assistance, and coordinating and standardizing economic intelligence. Most of all, it shows how the relationship between national and international administration began to transform during the 1930s. It was in Depression-era Asia that the first experiments were undertaken with a task that would soon define the major aim of international economic management: overseeing and coordinating the management and development of the world’s different national economies.

II. Building a National Economic Council in New Delhi

The first League program of economic assistance in Asia was set into motion in the spring of 1930, when George Schuster, the Finance Member of the Viceroy’s Executive Council, wrote to Geneva for help strategizing a more active government response to the economic crisis in India. The Depression had hit India badly, as worldwide demand for Indian products withered,

²⁷ Tooze, *Statistics and the German State*, 11. On the internationalization of Keynesianism, see also Peter A. Hall, ed., *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989).

commodity exports and capital imports shrank, credit grew tighter, and remittance to London for home charges became increasingly difficult. Falling prices for primary commodity prices were exacerbated by an artificially high sterling/rupee ratio, maintained against growing Indian opposition as a matter of official policy. Reforms called for by the Simon Commission for greater Indian autonomy over monetary policy further weakened confidence in the rupee; foreign capital fled. Rural unrest was growing, and in March 1930, Gandhi announced his campaign of civil disobedience. The worsening crisis forced a debate in the regime over whether to abandon its traditional laissez-faire stance and about what kind of new interventionist approaches it could take.²⁸

At the center of these debates was Schuster, a former Liberal parliamentary candidate of German-Jewish descent with a reputation for unorthodox views. Schuster had begun his colonial career as financial secretary in Sudan in 1922, a position to which he had been appointed on the basis of his work on Central European postwar reconstruction at a private London firm, work that had brought him to the early meetings of the League of Nations' Financial Committee on Austria's financial rescue. In 1927, he had joined the Hilton Young Commission in Uganda working on the administrative unification of British East and Central Africa, before moving to India in 1928 to replace Basil Blackett as Finance Member of the Governor-General's Council of India.²⁹ Here, he took positions that set him at odds with the India Office, fighting for a revision of the sterling/rupee ratio and reflationary monetary policies, until being replaced by the more conservative James Grigg in 1934.³⁰ Schuster agreed with nationalist critics of the regime that

²⁸B.R. Tomlinson, *The Indian National Congress and the Raj, 1929-1942: The Penultimate Phase* (London: Macmillan, 1976) and *The Political Economy of the Raj: 1914-1947: The Economics of Decolonization in India* (London: Macmillan, 1979); Dietmar Rothermund, *India in the Great Depression 1929-1939* (Delhi: Manohar Publications, 1992); G. Balachandran, *John Bullion's Empire: Britain's Gold Problem and India Between the Wars* (Richmond: Curzon, 1996), esp. 166-197.

²⁹ George Schuster, *Private Work and Public Causes: A Personal Record 1881-1978* (Cowbridge: D. Brown, 1979).

³⁰ Rothermund, *India in the Great Depression*, 38-78; Tomlinson, *The Political Economy of the Raj*, 90-91.

the Depression had demonstrated the need for a new governmental role in Indian economic life, since India could no longer rely on continually expanding international demand to provide guaranteed markets for its exports, as it had during the nineteenth-century zenith of the British-led international trading system, when it had first become an integral part of the “world economic organism,” as Schuster later called it.³¹ For Schuster, the abandonment of orthodox liberal policies was crucial for stabilizing colonial rule, as the threat of popular Indian support for Soviet visions of planning and Italian fascist corporatism grew more apparent.³² He was convinced that the creation of a national economic council to plan India’s development and give non-official Indian opinion a larger say in policy-making would mollify nationalist economic demands. The technical expertise needed to create this council could be provided by the League of Nations, which Schuster insisted was then eager to demonstrate that “India’s membership in the League does carry with it certain practical advantages.”³³

India was one of the founding members of the League of Nations, though its status as a non-sovereign and non-self-governing state, and the fact that it was not a dominion of the British Empire, made its membership anomalous. Its delegates were usually chosen directly by the Indian Secretary of State and until 1929, these delegations were led exclusively by non-Indians. They were given direct orders by the India Office and tended to have little independent voice in the committees they sat on, which led to accusations that Britain was using India’s membership as a way of increasing its representation at the organization. Some intellectuals and nationalist activists in India saw the League as little more than European empire dressed up in different

³¹ George Schuster, “Indian Economic Life: Past Trends and Future Prospects,” *Journal of the Royal Society of Arts* 83.4306 (May 1935): 641-669, at 647.

³² Maria Framke, “Fascist Italy: Ideal Template for India’s Economic Development?” in Hagen Schulz-Forberg, ed., *Zero Hours: Conceptual Insecurities and New Beginnings in the Interwar Period* (Brussels: Peter Lang, 2013), 77-96.

³³ George Schuster to Louis Kershaw, 10 November 1930. India Office Records (hereafter, IOR). BL. L/E/9/262.

guise; others were simply indifferent: “until they have got Swaraj,” as the journalist and politician Rangaswami Iyengar apparently put it, the Indian people “have no interest whatever in the League of Nations.” There were Indian members of the Economic Consultative Committee and the Second Committee of the Assembly, the diplomat Atul Chatterjee – who had been president of the ILO’s tenth session in 1927 – and the economist Jehangir Coyajee, respectively, the latter who set into motion the League’s sponsorship of Bertil Ohlin’s 1931 study. But Indian delegates resented the fact that they were only given junior positions, if at all, and efforts to get more Indians appointed to the Economic Committee and Gold Delegation of the Financial Committee were blocked by the India Office. Salter was a fierce critic of this arrangement – so much so that his writings on the topic had to be kept secret from his colleagues. It was obvious to him why Indians held the organization generally in such low regard: their membership “has never had a fair chance.”³⁴ But for some, League membership did seem to signify that India’s stature within the British Empire was on the rise, and that Dominion status might be imminent. It also promised immediate concrete benefits, making India eligible for programs of technical assistance and granting access to international expertise in public health, agriculture, and economics.³⁵

Salter strongly believed in the benefits of British rule to India, which he compared favorably with the disastrous situation in China, a state whose underdevelopment he saw as tied

³⁴ “Report on India.” Felkin Papers. AEF /3/1/109. KCRC.

³⁵ On Indian views of the League, see J.C. Coyajee, *India and the League of Nations* (Madras: Waltair, 1932); Lanka Sundaram, *India in World Politics – A Historical Analysis and Appraisal* (New Delhi: Sultan Chand & Co., 1944); Kevin Grant and Lisa Trivedi, “A Question of Trust: The Government of India, the League of Nations, and Mohandas Gandhi,” in R.M. Douglas, et al, eds., *Imperialism on Trial: International Oversight of Colonial Rule in Historical Perspective* (Lanham, MD: Lexington Books, 2000), 21-44. For theoretical accounts of the questions of sovereignty to which of India’s membership in the League gave rise, see Stephen Legg, “Of scales, networks and assemblages: The League of Nations apparatus and the scalar sovereignty of the Government of India,” *Transactions of the Institute of British Geographers* 32.2 (2009): 234-253 and “An international anomaly? Sovereignty, the League of Nations and India’s princely geographies,” *Journal of Historical Geography* 43 (2014): 96-110.

to the absence of full European colonization. But he did think that the Indian government could be held directly responsible for the deterioration of its status in India and for the growing appeal of nationalism. The India Office had bungled the sterling/rupee controversy, and as a result had lost the Indian business community to the side of the “Gandhi agitation.” Salter thought that limited concessions would have prevented the situation from deteriorating to such an extent and would have maintained the loyalty of the Muslim population and the princes. The appointment of all Englishmen to the Simon Commission and the failure to incorporate Indian public opinion into its recommendations were clearly humiliating.³⁶ Salter thought that a major League project in India would do much to increase the standing of the organization there, and that the further provision of technical assistance to India, China, and Japan was crucial to cementing the role of the League of Nations in these states – at least two of which, he insisted, would undergo dramatic transformations in the coming decade. It was important in India to dispel the idea that the League was “merely a European concern,” which had “little to offer in the way of disinterested help and support to extra-European countries which move in a different political, social and economic orbit.” But simply sending out ad hoc corps of experts would not be enough. The League had to establish a more secure mechanism of direct coordination between these three large Asian states and Geneva, which would require the establishment of a general League office in Asia to rotate between India, China, and Japan.³⁷

For his part, Schuster was anxious to respond to demands made by the Bengal and Indian Chambers of Commerce for an Indian economic council during discussion of the 1930 budget.³⁸ In March 1930, he wrote to Salter and Walter Layton, former head of the League’s Economic

³⁶ “Reflections on India.” 1931. Salter Papers. SALT 1/9. CCA.

³⁷ “A League Office in the Far East.” Salter Papers. SALT 1/10. CCA.

³⁸ “Economic Conditions. Scheme for an Economic Advisory Organisation in India. Sir Arthur Salter’s Report.” ILO C 1903/31.

and Financial Section and now editor of the *Economist*, for whatever information they could provide on European experiments with economic councils and to ask whether Salter would travel to India to present this information in person to his colleagues in New Delhi. Schuster wanted to create new “administrative machinery” to facilitate cooperation between colonial officials and Indian representatives outside the government, and to move India away from “traditions born in the days of the old school of Manchester liberalism.”³⁹ In May 1930, Salter responded with a note on how the various European and American economic councils, which functioned by “securing the benefit of collective expert advice, in guiding a Government when it is framing its policy as to the dominant tendencies of public opinion and, not least, in making the policy actually adopted intelligible to, and acceptable by, the public concerned.”⁴⁰ This last function was particularly important in the case of India: an Indian economic council, Layton told Schuster, would be useful for “creating the impression that Indians are consulted on things that matter.”⁴¹

It was precisely this idea that Schuster presented to his colleagues in building a case for an Indian economic council. In an interdepartmental memorandum from May 1931, he argued that the colonial regime could not continue to ignore worldwide trends towards new statist forms of political economy. The popularity of the Soviet Five-Year Plan and the corporatist system of fascist Italy were growing, and the regime had to respond with some form of economic planning administration to coordinate a policy of development and make the population and its interest groups feel better represented in official decision-making.⁴² There were other practical

³⁹ Schuster to Salter. 21 March 1930. George Schuster Papers. Box 27. BLO.

⁴⁰ Arthur Salter to George Schuster. 23 May 1930. Schuster Papers. Box 27. BLO; “Economic Councils. General Introductory Note.” 23rd May, 1930. Salter Papers. SALT 1/5. CCA.

⁴¹ Walter Layton to George Schuster. 11 April 1930. Schuster Papers. Box 27. BLO.

⁴² “Notes on Economic Policy.” Government of India, Finance Department, File No 15-I-F, 1930. National Archives of India (hereafter, NAI), New Delhi, India.

advantages to doing so before the constitutional changes recommended by the Simon Commission took effect: this body would help discipline Indian officials when they assumed more responsibility for policy-making, acting as a “brake” on ill-considered ideas and prevent “vote-catching politicians” from making short-term decisions without regard for “scientific” guidance.⁴³

The idea of giving the Indian population a form of representation in colonial economic policy-making, however, was exactly what Schuster’s colleagues objected to. While the corporatist functions of an economic council might have proven useful in a postwar strategy of stabilization in Europe, it was not clear these same benefits applied to the tasks of colonial governance: giving colonial subjects more representation, members of the government argued, would simply inflame public opinion and further “politicize” policy-making. Non-official Indian opinion would “make every effort to use the Council as a means of effecting a change in the policy of the Government of India,” colonial official John Woodhead wrote in response to Schuster’s memo, “and only in so far as those efforts are successful will that opinion support the Economic Advisory Council.” It was clear what these demands would be: a revaluation of the sterling/rupee ratio, a “full blooded protection policy,” and Indian economic self-sufficiency.⁴⁴ Nor was it feasible for the government, in its current form, to follow the lead of the world’s other examples of statist economic management: “Neither Russia, where state-owned and State-controlled industries are the order of the day, nor Italy, administered by a dictator with the support of the majority of the population, are examples which we should attempt to imitate.” Commerce member George Rainy, on the other hand, conceded the appeal of renovating the colonial government’s economic functions at a moment when “the whole economic structure of

⁴³ Untitled Note. 23 June 1930 and Schuster to Joseph Bhore, 23 June 1930. Schuster Papers. Box 27. BLO.

⁴⁴ “Notes, File No. 2002-C,” File No 15-I-F, 1930. NAI.

the world is more or less in the melting pot.” At the very least, an economic advisory council had the advantage of allowing colonial officials to demonstrate, during a period of worldwide depression, “that they are not indifferent to the suffering and distress that exists,” even though any “root causes” of the Depression were unlikely to be remediable by government action. But creating an advisory body that gave Indians any real say in how policy was crafted, Rainy insisted, would just be “creating unnecessary difficulties for ourselves.”⁴⁵

At Schuster’s request, Salter wrote up a detailed case for making an Indian council after he left India in February on his sea journey from Ceylon to Shanghai. In this report, he explained why the regime should establish a council, and described the different options for doing so. Salter’s report, published in New Delhi that summer, offers unique insight into the different options understood to be available at the beginning of the 1930s for state-builders and bureaucrats looking to create a national system of economic management entirely from scratch.

According to Salter, the different councils that existed around the world could be roughly classified according to their functions: either providing a parliamentary-style forum in which the “different branches of national activity” could advise the government on the formulation of economic policy (the “Continental” model) or directly supplying governments with advice from economic experts (the “British” model).⁴⁶ The representative model was best embodied in the German *Reichswirtschaftsrat*, which sat 326 representatives from different social and economic groups: agriculture and forestry, horticulture and fisheries, industry, commerce, banking, and others.⁴⁷ In France, a Conseil National Economique was created in January 1925 directly

⁴⁵ “Appendix IV,” File No 15-I-F, 1930. NAI.

⁴⁶ Arthur Salter, *A Scheme for an Economic Advisory Organisation in India* (Delhi: Government of India, 1931), 4.

⁴⁷ See also Adam Tooze, “The Crisis of Gelehrtenpolitik and the Alienated Economic Mind: Economists and Politics in Interwar Germany,” in Martin Daunton and Frank Trentmann, eds. *Worlds of Political Economy: Knowledge and Power in the Nineteenth and Twentieth Centuries*, (New York: Palgrave Macmillan, 2004).

attached to the office of the Prime Minister Edouard Herriot, which like its German counterpart convened representatives of French capital, labor, and consumer groups chosen by the Minister of Labour from trade organizations and unions. The French council, which had been designed by the Confédération Générale du Travail in line with the organization's process of technocratic deradicalization, never had much direct impact on policy.⁴⁸ In Italy, a more ambitious system of economic representation was attempted with the creation of a Ministry of Corporations in 1926 and, in March 1930, the Consiglio Nazionale delle Corporazioni, standing at the apex of a pyramidal system of national economic representation organized according to Italy's different occupational groups.⁴⁹

The alternative advisory model was embodied in the British Economic Advisory Council established in January 1930, which provided highly secretive advice from economic experts to government officials, and was the first institution to place economists into full-time employment of the British state. Salter himself was a member of the council, which staffed only a few academic economists, including John Maynard Keynes, G.D.H. Cole, Hubert Henderson, and Colin Clark. Its ranks were largely made up of businessmen. The council was created in response to long-standing demands to establish an "economic general staff" as an economic counterpart to the Committee of Imperial Defense, which Beveridge had attempted in 1923, on the justification that modern economic problems required the same kind of expert approach as did those of warfare. While short-lived, the British council laid the groundwork for the working relationship between professional economists and the British state that developed after 1940.⁵⁰

⁴⁸ Jackson, *Politics of the Depression in France*, 20-21.

⁴⁹ For contemporary accounts of the French and Italian councils, see, respectively, Edith C. Bramhall, "The National Economic Council of France," *The American Political Science Review* 20.3 (1926): 623-630 and Carmen Haider, "The Italian Corporate State," *Political Science Quarterly* 46.2 (1931): 228-247.

⁵⁰ Susan Howson and Donald Winch, *The Economic Advisory Council, 1930-1939: A Study in Economic Advice During Depression and Recovery*, 1-29; Alec Cairncross, *The Economic Section*, 4; G.C. Peden, *The Treasury and British Public Policy*, 196.

The United States, by contrast – the world’s largest economic power – provided no model whatsoever: here, there still did not exist any permanent “Government Economic Committee,” nor any organization to “form a link between the Government (or, in particular, the Department of Commerce) and the private interests.” The National Bureau of Economic Research was the world’s leading economic statistical organization, and the many conferences and committees convened by Herbert Hoover had established some precedent for government use of experts in economic research and policy-making.⁵¹ But beyond these ad hoc committees, the American state exercised little authority over its national economy; here, the role of the government “is simply that of a go-between, a means whereby the various business interests, employed as well as employers, consumers as well as producers, can meet and find out how to help themselves.” In practice, the situation was not yet too different in Europe: the councils that existed there were cumbersome and largely ineffectual, and had not been around long enough to have had much impact on government policy. They also mostly avoided dealing with politically volatile problems, like tariffs, sticking instead to research and ostensibly more technical issues. The novelty of this new economic role for the state made it difficult to say with certainty how it should be done, and what kinds of institutions should take responsibility for it.⁵²

The task of making an economic council for India presented enormous challenges: while officially designated as one of the world’s chief states of industrial significance,⁵³ India was still

⁵¹ Guy Alchon, *The Invisible Hand of Planning: Capitalism, Social Science and the State in the 1920s* (Princeton: Princeton University Press, 1985); Ellis W. Hawley, “Herbert Hoover, the Commerce Secretariat, and the Vision of an ‘Associative State,’ 1921-1928,” *The Journal of American History* 61.1 (1974): 116-140.

⁵² Salter, *A Scheme for an Economic Advisory Organisation in India*, 62.

⁵³ This was a designation used by the ILO to determine national representation within the organization. In 1920, a dispute arose when India issued a formal complaint to the League of Nations over the ILO’s exclusion of India from the list. (The original eight were the U.S., Britain, France, Germany, Italy, Belgium, Japan, and Switzerland.) It was absurd to include tiny Belgium and Switzerland in the top eight and not India, so the argument went, since India’s economic system dwarfed theirs in size. Statistics provided to the League showed that the scale of economic activity taking place within India’s borders was far greater than that in the other states for which data was available, and on the basis of this data, India won its appeal. See documents in LON 1191. Though in practice this likely amounted to

largely agricultural, and its size and administrative divisions made it difficult to formulate policies at the national level. Statistical data about Indian economic life, moreover, was mostly unsystematic and out of date, which meant any new council would have to improve the state's techniques of gathering and interpreting this information. To coordinate a national program of development, Salter called for a council combining advisory and corporatist functions, with representatives from "every main sphere of the organised economic life of the country" adjudicating their competing claims over India's modernization. The functions of this council would be coordinated with that of subsidiary bodies at the provincial level, and the whole system directly linked up to the League of Nations through a representative appointed to the Economic Consultative Committee. This would encourage the formulation of Indian policies in line with "world conditions," as Salter put it, and increase Indian bargaining power on the world stage.⁵⁴

III. Economic Statistics and Nationalism in India

Salter's plans did not result in any immediate changes in the practices of the regime. In the face of planning for constitutional reforms, as well as deteriorating political and economic conditions, little action was taken on his ideas for over a year after he left for China in February 1931. In the summer of 1932, Schuster turned his attention back to the project, pleading to his colleagues that their refusal to consider policies for India like the Soviet Five-Year Plan, Turkish Three-Year Plan, and Mussolini's "dictation of national economy" was making India fall even further behind the rest of the world. What India needed was something that looked very close to

little appreciable difference to its standing within the organizations, India's designation as one of the world's chief industrial powers was later held up by Indian nationalist economic thinkers as clear evidence of India's growing significance in the world's economic system. See, for example, Benoy Kumar Sarkar, "Die Entwicklung und weltwirtschaftliche Bedeutung des modernen Indien" (Sonderabdruck) in *Indien in der modernen Weltwirtschaft und Weltpolitik* (Stuttgart: Fleischhauer & Spohn, 1931), 14.

⁵⁴ Salter, *A Scheme for an Economic Advisory Organisation in India*, 13-33

a Five-Year Plan itself: “This may be greeted as a chimerical idea,” Schuster admitted, “But I believe that, even if it led to no direct practical result, it would be good for the country that the attempt should be made.” At the very least, faced with the loss of global demand for Indian agricultural goods, the government had to devise long-term plans to make them competitive again and to ensure that domestic production kept pace with population growth. Schuster called for the establishment of a “thinking machine” for India: a central economic organ to formulate long-term planning at the national level and to coordinate policy-making by different branches of the government.⁵⁵

This idea of renovating the colonial government’s economic intelligence functions appeared to be easier in the short-term than establishing a council along the lines suggested by Salter. The state of government knowledge about the Indian national economy, in general, was still extremely poor.⁵⁶ In late 1932 and early 1933, as part of this project, Schuster and D.B. Meek, the Director General of Commercial Intelligence, began preliminary work on organizing a national economic census. Over the previous few years, Meek had been attempting to update the government’s older economic intelligence functions with innovations in statistics and forecasting imported from the U.S., which he saw as necessary for any new kind of interventionist policy. Compared with many other countries, India had actually accumulated much more raw data about its national economic system, but this needed sophisticated mathematical analysis.⁵⁷ To this end, Schuster reached out to the Bank of England adviser Henry Clay, who had carried out a similar census in South Africa, to do this work in India.⁵⁸ Clay suggested focusing on achieving a rough

⁵⁵ “Organisation for Dealing with Economic Policy.” Schuster Papers. Box 28. BOL.

⁵⁶ On this point, see Tomlinson, *Political Economy of the Raj*, 90.

⁵⁷ “Note by Dr. D.B. Meek, Director General of Commercial Intelligence and Statistics on the Subject of his Deputation to America;” Meek, “Note. 17th Feby. 1930.” Schuster Papers. Box 28. BOL.

⁵⁸ Cairncross, *Economic Section*, 10-24.

tabulation of India's national income, as well as a classification and analysis of the "main heads of economic activity," with the aim of providing a "continuous supply in future of knowledge which would give direction to a constructive economic policy, fiscal policy, etc."⁵⁹ Previous estimates of India's national income had been published in the last decades of the nineteenth century, but none had employed the more sophisticated techniques under development in the 1930s, and the data they had drawn on was not completely reliable.⁶⁰ Complicating matters was the fact that there was no standard definition of national income the proposed census could draw on, nor any universally agreed methods to calculate it. The League of Nations was seen as a possible source of expertise for this project, though national income accounting was not a task with which the organization was centrally involved.⁶¹

Despite ongoing conversations at the League in 1931 about the possibility of coordinating the work of different national economic councils at the international level, there was now, after Salter's departure, a general reluctance to get involved with Schuster's initiative. It posed awkward questions to an organization dominated by its British members, and the particular information Schuster was looking for – an Indian economic census and calculation of the national income – looked only marginally relevant to the goals of the Economic and Financial Organization and financially daunting during a time of budget cutbacks. In December 1932, Schuster wrote again to Salter for his help, despairing of his inability to interest his colleagues in

⁵⁹ "Memorandum on the Proposal for an Economic Survey of India." GSP Box 27.

⁶⁰ V.K.R.V. Rao, *An Essay on India's National Income, 1925-1929* (London: G. Allen & Unwin, 1939).

⁶¹ On this point, see Tooze, "Imagining National Economies: National and International Economics Statistics 1900–1950," in G. Cubitt, ed., *Imagining Nations* (Manchester: Manchester University Press, 1998), 212–228; Daniel Speich, *Die Erfindung des Bruttosozialprodukts: Globale Ungleichheit in der Wissensgeschichte der Ökonomie* (Göttingen: Vandenhoeck & Ruprecht, 2013); Matthias Schmelzer, "The Growth Paradigm: History, Hegemony, and the Contested Making of Economic Growthmanship." *Ecological Economics* 118 (2015): 262-271. The history of GDP has recently become a popular topic. See Diane Coyle, *GDP: A Brief But Affectionate History* (Princeton: Princeton University Press 2014); Zachary Karabell, *The Leading Indicators: A Short History of the Numbers That Rule Our World* (New York: Simon Schuster, 2014); Dirk Philipsen, *The Little Big Number: How GDP Came to Rule the World and What to Do about It* (Princeton: Princeton University Press, 2015).

his plans, who dreaded the prospect of getting more long reports “which no one has time to read.”⁶² Salter put him in touch with Loveday, to whom Schuster wrote in January asking for help calculating the national income.⁶³ By now, Schuster had won some support for a census: in February 1933, the Finance Department announced it would ask the League to pay for an expert commission to be sent to India to help the regime acquire better economic knowledge. This was justified in terms of the impact this new form of economic intelligence and governance would have on the regime’s legitimacy: “There has been much interest lately in ideas of economic councils, economic planning, etc. Many of the ideas ventilated have been visionary and exaggerated. But it would have a good political effect to indicate that the Government of India are moving on these lines.”⁶⁴

In February 1933, Loveday offered the tentative support of his section to Schuster’s plans, though he doubted whether he would be able to convince his colleagues to pay for it. Schuster reminded Loveday that League officials had been willing to finance similar projects in China, though he failed to see how much more strategically significant they considered this work. Loveday insisted that his colleagues had been willing to commit financial resources to this kind of project only in clear cases of emergency, such as in Austria in 1922-23, when crises threatened major international repercussions. The current program of technical assistance to China and the work of the EIS claimed significant financial resources from the League.⁶⁵ There was far less urgency in the case of India, nor was it clear whether an Indian census was a question of “international importance.”⁶⁶ Other League officials rejected Schuster’s ideas more

⁶² George Schuster to Arthur Salter, 5 December 1932. GSP Box 28.

⁶³ George Schuster to Alexander Loveday, 16 January 1933. GSP. Box 28.

⁶⁴ Telegram. Government of India, Finance Department, to Secretary of State for India. 2 February 1933. IOR/L/E/9/262.

⁶⁵ Egon F. Ranshofen-Wertheimer, *The International Secretariat: A Great Experiment in International Administration* (Washington: Carnegie Endowment for International Peace, 1945), 159.

⁶⁶ Alexander Loveday to George Schuster. 6 February 1933. IOR/L/E/9/262.

strongly. In February 1933, Pietro Stoppani suggested that India's economic challenges paled in comparison to those faced by the states the League had had to rescue directly: China, Hungary, and Bulgaria.⁶⁷ Others called the scheme "ill-timed, over-ambitious and likely to be wasteful of time and money."⁶⁸ Beyond the expense of the project, there was also the risk that undertaking an economic census in India would stir up unrest, given how politically contentious calculation of the national income was likely to be.⁶⁹ Nor was it clear that this work had much intellectual value: calculating India's national income would not only be "technically impossible," but would result in information that was "useless."⁷⁰ This was true not only for technical and financial reasons, but also for political ones: "throwing light on the Indian economic scene,"⁷¹ as an article in the *Times of India* put it, would solidify the idea of India as a bounded national economic space and not as an appendage of a larger imperial economic system.⁷² India Office officials strongly encouraged League officials to reject Schuster's plea for help,⁷³ with the Secretary of State insisting that an Indian economic census had "no international implications" whatsoever.⁷⁴

But the promise of increasing the League's standing in Indian public opinion was too great a temptation to resist. In February 1933, League officials agreed to send two European experts to India, so long as a "pukka Indian" rounded out the group as a third. The hope was that drafting Indian experts into this scheme, even if it did not result in a complete census, would positively reflect on the regime's intentions to involve the population in economic policy-

⁶⁷ Pietro Stoppani to Ivan Krno, 3 February 1933. LON R4379 10A/1781/1781.

⁶⁸ Cecil Kisch to E.J. Turner. 6 February 1933. IOR/L/E/9/262.

⁶⁹ Alexander Loveday to Joseph Avenol, 3 February 1933. LON R4379. 10A/1781/1781

⁷⁰ Alexander Loveday to A.E. Felkin, LON R4379, 10A/1781/1781.

⁷¹ "Indian Economic Conference." *The Times of India*. Jan. 4, 1933. IOR/L/E/9/262.

⁷² Manu Goswami, *Producing India: From Colonial Economy to National Space* (Chicago: University Of Chicago, 2004).

⁷³ Alexander Loveday to A.E. Felkin. 13 February 1933. LON R4379 10A/1781/1781.

⁷⁴ Extract of Telegram from Secretary of State to Government of India. 20 February 1933. IOR/L/E/9/262.

making.⁷⁵ The European experts chosen were Dennis Robertson, a leading Cambridge economist and close associate (and rival) of Keynes, and the statistician Arthur Bowley from the London School of Economics. Loveday had originally suggested Ludwig von Mises, but Robertson strongly objected this idea, since Mises was “against Government action of every kind in all circumstances whatever, and and regards even Central Banks as an invention of the devil!”⁷⁶

In late December 1933, Robertson and Bowley arrived in India, where they worked until March 1934 with two Indian economists – Parakunnel Thomas from Madras University and D. Ghosh from Bombay University – as well as with the secretary of the Punjab Board of Economic Enquiry, C.P.K. Fazal. Their work was announced with fanfare: it promised “an accurate diagnosis of the working of [India’s] own economic organism, and for a body of economists trained in scientific methods” to prepare the country’s path towards economic planning.⁷⁷ But all they could do was recommend how an aggregate picture of India’s national economy might be achieved in the future: through the improvement of statistics, the reorganization of government’s economic intelligence functions, and a meticulously planned rural survey and census of population and production. They could not calculate the national income themselves, due to a lack of reliable data, and could only second Schuster’s calls for the creation of a new economic staff at the government to design a scheme of development, focusing on the construction of roads and water infrastructure, education, and public health – nearly identical to the program League officials were now overseeing in China. Their calls for a revamped economic intelligence

⁷⁵ A.E. Felkin to Alexander Loveday. 16 February 1933. LON R4379 10A/1781/1781.

⁷⁶ D.H. Robertson to George Schuster. 30 August 1933. Schuster Papers. Box 28. BLO.

⁷⁷ “Draft of press statement.” D.B. Meek. 18 November 1933. Schuster Papers. Box 28. BLO.

administration for India would not be realized – just like in many other states – until necessitated by the demands of the Second World War.⁷⁸

In March 1934, Schuster was replaced by James Grigg, who was steeped in the orthodox views of the British Treasury, where he had worked throughout the 1920s, and who viewed Schuster's ideas with deep suspicion, remarking upon his arrival in India that Schuster had "completely bitched up – and irretrievably as far as I can see – the revenues of this country."⁷⁹ (In 1946, Grigg was named one of the World Bank's first executive directors.)⁸⁰ But Schuster's initiative was not completely dead. In December 1933, a Board of Economic Enquiry was established in Bengal along the lines of Salter's recommendations for a subsidiary, provincial economic council, combining expert and representative functions and staffing delegates from regional chambers of commerce, universities, agricultural and labor groups, and the government.⁸¹

Debates about the creation of a national economic council also had the unintentional effect of drawing attention to a set of ideas about economic planning that were growing increasingly popular among Indian nationalist intellectuals and activists. Some of the earliest blueprints for national economic planning by Indian economists and officials were offered in direct reaction to the failed efforts of Schuster and Salter. This movement, drawing on a long tradition of Indian nationalist economic thought and mobilization – from the statist developmental visions of G.V. Joshi and Romesh Dutt to *Swadeshi* conceptions of economic

⁷⁸ Arthur Bowley and Dennis Robertson, *A Scheme for an Economic Census of India* (Delhi: Government of India, 1934); Tomlinson, *The Political Economy of the Raj*, 90-91.

⁷⁹ Quoted in Rothermund, *India in the Depression*, 71; Tomlinson, *The Political Economy of the Raj*, 90-91.

⁸⁰ Edward S. Mason and Robert E. Asher *The World Bank Since Bretton Woods* (Washington, D.C.: Brookings Institution, 1973), 47.

⁸¹ International Labour Office, India Branch. Report for December 1933. ILO C1903/61.

self-sufficiency – helped redefine Indian nationalist politics in the second half of the 1930s.⁸²

These failed efforts by the colonial state in the early 1930s provided an opportunity for activists and intellectuals to advance a new set of claims for economic planning against the regime. The proliferation of planning schemes after 1934, in turn, helped set the ideological groundwork for the formation of the National Planning Committee by the Indian National Congress in 1938 and, after 1947, for Nehru’s Five-Year Plans.⁸³

The idea of creating a combined representative and advisory body was central to the first fully-worked out planning scheme for India – Mokshagundam Visvesvaraya’s 1934 *Planned Economy for India* – which is widely credited with setting the early agenda of the planning movement.⁸⁴ Visvesvaraya, an engineer and former Diwan of Mysore, called in his book for a Ten-Year Plan of Indian industrialization, agricultural modernization, and national economic integration, modeled on Turkish and early New Deal initiatives. He laid out a challenge to the regime: while much of the rest of the world was embracing some form of planned government economic intervention, the British colonial regime was still actively retarding India’s entrance into economic modernity. It rejected plans for India’s industrialization, and forced India to remain in a position of dependency within a British-led world trading system.⁸⁵ Visvesvaraya demanded the immediate creation of an all-India Central Economic Council, employing an elite

⁸² On the history of Indian economic nationalist thought, see, above all, Bipan Chandra, *The Rise and Growth of Economic Nationalism in India: Economic Policies of Indian National Leadership, 1880-1905* (New Delhi: People's Pub. House, 1966).

⁸³ Ragabendra Chattopadhyay, “The Idea of Planning in India, 1930-1951.” Unpublished Ph.D. Dissertation, Australian National University, 1985, 29-71 and “An Early British Government Initiative in the Genesis of Indian Planning,” *Economic and Political Weekly* 22.5 (1987): 19-29, at 20. Benjamin Zachariah takes an opposing view in *Developing India: An Intellectual and Social History, c. 1930-50* (Oxford: Oxford University Press, 2005).

⁸⁴ Amiya Kumar Bagchi, “From a Fractured Compromise to a Democratic Consensus: Planning and Political Economy in Post-Colonial India,” *Economic and Political Weekly* 26.11/12 (1991): 611-628; A.H. Hanson, *The Process of Planning: A Study of India’s Five-Year Plans* (Oxford: Oxford University Press, 1966), 27-49; Partha Chatterjee, “The Social Sciences in India,” in Theodore M. Porter and Dorothy Ross, eds., *The Cambridge History of Science, Vol. 7* (Cambridge: Cambridge University Press, 2003), 482-497, at 490; Bhabatosh Datta, *Indian Economic Thought: Twentieth Century Perspectives 1900-1950* (New Delhi: Tata McGraw-Hill, 1978), 137-141.

⁸⁵ M. Visvesvaraya, *A Planned Economy for India* (Bangalore: Bangalore Press, 1934), 352.

corps of Indian experts to oversee the country's industrialization and representatives of different occupational groups.⁸⁶ Visvesvaraya described Schuster's and Salter's efforts as having cast into sharp relief the sins of the colonial regime in keeping India in a state of economic immaturity compared to the rest of the world. Many other influential blueprints and pamphlets for Indian economic planning from the 1930s made similar claims. S.C. Mitter's comprehensive 1934 economic recovery plan for Bengal, and works by other nationalist economists – such as Khagendra Sen, Gyan Chand, and N.S. Subba Rao – pointed out how Schuster's and Salter's efforts showed the true and hypocritical face of the colonial regime and its outdated modes of economic domination. These efforts had presented the regime with a powerful challenge that it could not address itself, out of fear of destabilizing its own rule: how to deploy state power to rationally reshape national economic life.⁸⁷

IV. The Origins of Economic Cooperation Between Nanjing and Geneva

While his work in India did not result in any immediate changes, and had unintentional galvanizing effects on the nationalist planning movement, Salter saw much greater success in China, where he and Felkin arrived on 2 March 1931, along with the Belgian economist Maurice Frère (later the first postwar president of the BIS, a position he occupied until 1958) on the British liner Rawalpindi. Here, they were greeted as collaborators with one of the era's most ambitious programs of nationalist economic development, freed from the complications of working within the bounds of a colonial space, though faced with a far more dangerous

⁸⁶ Ibid., 357.

⁸⁷ S.C. Mitter, *A Recovery Plan for Bengal* (Calcutta: Book Co., 1934), esp. 7-9; Khagendra Sen, *Economic Reconstruction of India: A Study in Economic Planning* (Calcutta: University of Calcutta, 1939); Gyan Chand, *India's Teeming Millions: A Contribution to the Study of the Indian Population Problem* (London: G. Allen & Unwin, 1939), 216-231; N.S. Subba Rao, *Some Aspects of Economic Planning: Being Sir William Meyer lectures, 1932-33, University of Madras* (Bangalore: Bangalore Press, 1935). See also H.L. Dey, "Scope and Method of Economic Planning in India," *Indian Journal of Economics* 15.56-9 (1934-5): 573-587.

geopolitical situation. Salter's travels throughout China in March and April took place against a backdrop of in-fighting among the Guomindang and violent struggle against the communists, which was particularly fierce in Kwangsi, though conflict with the powerful warlords appeared to have calmed.⁸⁸ While Salter was officially invited to China to "discuss questions relating to the effect on China's economic activities of the present world depression,"⁸⁹ China was not yet, in fact, feeling much of the crisis's effects. Its currency was linked to silver, not gold, and its foreign trade, already at a low level compared to most other states, was not badly affected by the global deflationary downturn. The low levels of foreign investment meant there was little now to lose. Unlike in many states, the years of 1928-30 saw a modicum of stability in China, as the Guomindang gradually extended its control throughout the country and solidified its power in Nanjing – developments that caused considerable worry in Japan, where the Depression was already having major effects.⁹⁰

These years saw the elaboration of an ambitious plan of economic development and administrative modernization by the Guomindang, with which the League of Nations became a major partner. While opinions differ on the success of the Chinese economic system during the "Nanjing Decade,"⁹¹ these efforts marked one of the regime's most important and impressive undertakings. It contributed "personnel, experience, and precedents" to the subsequent postwar modernization drives of both the People's Republic of China and of Taiwan – just as the League's collaboration with the Chinese regime provided personnel, experience, and precedents

⁸⁸ "Supplementary Note on China." June 2nd 1931. Salter Papers. SALT 1/10. CCA.

⁸⁹ "Collaboration of the Technical Organisations of the League of Nations in the Economic Reconstruction of China." LON R2668 10A/29179/29179.

⁹⁰ Akira Iriye, "Japanese Aggression and China's International Position, 1931-1949" in John K. Fairbank and Albert Feuerwerker, eds., *The Cambridge History of China, Volume 13: Republican China 1912-1949, Part 2* (Cambridge: Cambridge University Press, 1978), 494-546, at 494-495.

⁹¹ For classic accounts of the contrasting views, see, for example, John K. Chang, "Industrial Development of Mainland China, 1912-1949," *Journal of Economic History*, 27.1 (1967):73-81 and Douglas S. Paauw, "The Kuomintang and Economic Stagnation, 1928-1937," *The Journal of Asian Studies* 16.2 (1957): 213-220.

to international programs of development after 1945.⁹² Behind the implementation of many of these schemes was the Finance Minister Tse-ven (T.V.) Soong, a Harvard-trained economist appointed in 1923 to reorganize the party's finances by his brother-in-law Sun Yat-sen. In his 1922 *International Development of China* – arguably the earliest systematic blueprint for the international development of a sovereign state – Sun had provided a guide for China's modernization, outlining an ambitious joint scheme of private and state-led development financed through an international organization of the “capital-supplying powers.”⁹³ While Sun was sketchy on the details of what this organization would look like, many soon began to describe the League of Nations as the obvious candidate for the job. China was a founding member of the League – it had joined the Allied war effort in August 1917 – though many Chinese regarded the organization with suspicion: other League member states still made claims on China's territory, and promises made by the Allies to return Shandong were broken in 1919 when Japan was allowed to annex the former German colonial territory. Agreements reached at the Washington Conference of 1921-22 to respect China's sovereignty and territorial integrity, and to revise unequal treaties, were slow to be enacted.⁹⁴ When he first visited China in 1925, Ludwik Rajchman, head of the League's Health Section, reported back to Geneva that few in

⁹² On these legacies for Mao's China and Taiwan, see William C. Kirby, “Technocratic Organization and Technological Development in China: The Nationalist Experience and Legacy, 1928-1953,” in Denis Fred Simon and Merle Goldman, eds. *Science and Technology in Post-Mao China* (Cambridge, MA: Harvard University Press, 1988), 23-43.

⁹³ H.W. Arndt called Sun's book the first to “advocate economic development in something like the modern sense and use of the term.” H.W. Arndt, *Economic Development: The History of an Idea* (Chicago: University of Chicago Press, 1987), 16.

⁹⁴ Stephen G. Craft, *V.K. Wellington Koo and the Emergence of Modern China* (Lexington: University Press of Kentucky, 2004), 30-93; Erez Manela, *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism* (Oxford: Oxford University Press, 2007), 99-118.

China thought of the League as a universal organization, and that the very term “International” had “a sinister meaning.”⁹⁵

This began to change after the Nationalist regime solidified its hold on power in late 1928; now, collaboration with the League made China eligible for the organization’s programs of technical assistance, and came to be seen as offering a powerful symbolic demonstration of China’s status as a sovereign equal in the international system.⁹⁶ The League’s technical work in China had begun in 1922-23 with the arrival of Norman White from the Health Section. Rajchman came for his first visit in 1925, and returned in January 1929 to establish a regular system of coordination on public health and maritime quarantine matters.⁹⁷ In 1929, a commission led by the U.S. financial expert Edwin Kemmerer advised Soong on the modernization of the state’s fiscal administration.⁹⁸ But it was Rajchman who became Soong’s closest foreign adviser, and it was these two who took responsibility for coordinating China’s development work with League officials. Born in 1881 to an assimilated Jewish family in Warsaw, Rajchman had been tapped in 1921 by Drummond to lead the League’s Health Section on the basis of his epidemiological and public health work during a typhus epidemic in immediate postwar Poland. He worked to expand the reach of his Section throughout Asia during the 1920s, though he carried a damaging reputation as Soviet sympathizer throughout his career. At the League, and then during the War, Rajchman acted as one of Soong’s closest aides, before

⁹⁵ “Mission of Dr. Rajchman in the Far East.” Ludwik Rajchman Papers. Louis Pasteur Institute Archives. Paris, France. Racj. C1.

⁹⁶ Maggie Clinton, “Ends of the Universal: The League of Nations and Chinese Fascism on the Eve of World War II,” *Modern Asian Studies* 48.6 (2014): 1740-1768, at 1745-1746; William Kirby, “The Internationalization of China: Foreign Relations at Home and Abroad in the Republican Era,” *China Quarterly* 150 (1997): 433-458.

⁹⁷ “Memorandum respecting League of Nations Technical Assistance to China.” TNA FO 371/18090. See also Iris Borowy, *Coming to Terms with World Health: The League of Nations Health Organisation 1921-1946* (Frankfurt am Main: Peter Lang, 2009), 305-324.

⁹⁸ They gave their recommendations to Soong in the spring and summer of 1929. See the documents in Box 119 Folder 2. Edwin W. Kemmerer Papers. PUA.

turning his energies to the foundation of UNICEF in 1946.⁹⁹ During the Manchurian crisis of 1931, Rajchman incurred the wrath of Japanese officials for backing China's claims against Japan in Geneva and for calling for a boycott of Japanese goods and armed resistance against occupying troops. Rajchman came to be seen by his colleagues in Europe as dangerously meddling in Chinese policies and as ostentatiously supporting China against Japan – so much so that he had made it obvious, as one suspicious observer put it, that he “lives in Soong's pocket.”¹⁰⁰

While the work of the League in China in the 1920s had been limited to the realm of public health, economic assistance was promised after controversy at the Assembly over the renewal of China's seat on the Council led to fears that it might follow Brazil in renouncing its membership. In the autumn of 1930, Rajchman convinced Chinese officials to reach out to Salter to take charge of this work. The challenge was to avoid it having any resemblance to the humiliating forms of foreign economic control – from extraterritoriality laws to the Maritime Customs Service – that China had faced for decades. The latest such institution of foreign economic control was the consortium of banking groups, from the U.S., France, Britain, and Japan, set up to guarantee that any loan made in China with public issues was divided evenly between the four groups. This agreement was seen as the financial “counterpart” to the Nine-Power Treaty signed at the Washington Conference in 1922. While the Consortium was intended to prevent further economic competition between the Great Powers in China, and build up confidence in China's creditworthiness so the country could take out future loans without foreign

⁹⁹ Rajchman's son, Jan Rajchman, was instrumental in inventing the earliest forms of computer memory as an engineer at the U.S. electronics company RCA. See George Dyson, *Turing's Cathedral: The Origins of the Digital Universe* (New York: Pantheon Books, 2012), 64-87.

¹⁰⁰ “Dr. T.V. Soong's Visit to England.” TNA FO 371/17136.

control, it was seen in China as an embarrassing affront to the country's sovereignty.¹⁰¹ When he was first imagining a League program in China, Salter was pessimistic about its prospects, since many were seeking to enlist the League in new projects of semi-colonial foreign economic control.¹⁰² Whatever was brought to China, as one observer put it, would have to be "League tutorship, not League tutelage – that is to say a process of expert teaching in the arts of modernised government, without any vain attempt at guardianship."¹⁰³

The question of what this League "tutorship" might look like became a major topic of discussion at meetings of Western and Asian economists and policy intellectuals. In a 1929 report to the Institute of Pacific Relations, the Chinese banker and financial official Wu Ding-Chang, with whom Albert Thomas had met the year prior during a tour through China, argued that the League of Nations had, in its financial reconstructions of Austria and Greece, developed a mechanism for making a state eligible for foreign loans in ways that did not result in gross violations of its sovereignty.¹⁰⁴ The mechanism of the League loans from the 1920s, according to Wu, had solved the major problem of foreign financial aid for weak and semi-sovereign states like China: the need to make painful political and economic concessions in exchange for foreign capital.¹⁰⁵ The precedent of the League loans was foremost in the minds of most who were looking to create an international mechanism, along the lines called for by Sun, to finance China's reconstruction – which was no small irony given that the League system of financial surveillance had first been developed, in part, on the model of the Chinese Maritime Customs

¹⁰¹ "The China Consortium. Its Aim and Scope." TNA FO 371/17135.

¹⁰² "The alternative to a regional League. Development of Council Committee System. Development of work affecting non-European countries." 13 October 1926. LON S118.

¹⁰³ E.M. Gull to James Richard Stanhope. 9 May 1934. TNA FO 371/18090.

¹⁰⁴ Albert Thomas. Travel Diary. 21 November 1929. Albert Thomas Papers. ARCH02964. International Institute of Social History. Amsterdam, Netherlands.

¹⁰⁵ Wu Ding-Chang, "International Economic Co-operation in China," in .B. Condliffe, ed., *Problems of the Pacific: Proceedings of the third conference of the Institute of Pacific Relations, Nara and Kyoto, Japan, October 23 to November 9, 1929* (Chicago: University of Chicago Press, 1930).

Union.¹⁰⁶ Shortly after hearing about Salter's invitation to China, Eric Drummond met with the U.S. diplomat Norman Davis in New York, who proposed the League oversee a major international loan to China along the lines developed for Austria.¹⁰⁷ Some objected to the relevance of the "Austrian precedent" for China, given the instability of the regime and the unlikelihood that such an enormous country could be put under the same "tutelage" as the rump postwar Austrian state.¹⁰⁸ When hearing of Salter's early 1931 trip to China, U.S. President Herbert Hoover apparently remarked, "if anyone was so foolish to try to put the finances of China on a satisfactory footing, [Salter] was welcome to do so, and had his (Hoover's) best wishes!"¹⁰⁹

While the promises of a League of Nations administered-loan to China on the model of Austria remained a frequent point of reference in discussions about China's development, there was not much enthusiasm for this idea at the League itself.¹¹⁰ According to Salter, the country was too unstable for this to be practical. With the legacy of extra-territoriality and other forms of foreign economic control, moreover, it was unlikely the Chinese would agree to the same kind of control as had been brought to Austria and Hungary. Foreign experts directly controlling the regime was no longer acceptable.¹¹¹ The best that could be done was to have experts appointed by Chinese officials, who would work to increase confidence in the regime but without being beholden to the interests of foreign bondholders or government officials. The League was best

¹⁰⁶ "Note by the Secretariat on the International Controls Established in China." LON S107.

¹⁰⁷ Eric Drummond to Arthur Salter. 5 February 1931. IOR/L/E/9/262

¹⁰⁸ Cecil Kisch to E.J. Turner. IOR/L/E/9/262

¹⁰⁹ Eric Drummond to Arthur Salter. 5 February 1931. IOR/L/E/9/262

¹¹⁰ See also "Summary of Conference Proceedings," in Bruno Lasker and W.L. Holland, eds., *Problems of the Pacific, 1933: Economic Conflict and Control: Proceedings of the fifth conference of the Institute of Pacific Relations. Banff, Canada, 14-26 August, 1933* (Chicago: University of Chicago Press, 1934), 196-200.

¹¹¹ "Supplementary Note on China." June 2nd 1931. Salter Papers. SALT 1/10. CCA.

placed to find these experts, since, as an international institution, Salter suggested, it would not be seen as a stooge of international banks or the European empires.¹¹²

This program of technical assistance was to unfold in three stages. First, League officials would gain Chinese support for the organization through public health work; second, they would help establish a centralized economic council to direct China's reconstruction; and third, they would send experts to oversee this council's work.¹¹³ When Salter arrived in China in March 1931, his task was to carry out the second step in this program, just as he had attempted with little success in New Delhi. Unlike in India, though, Salter's meetings with Chinese officials set into rapid motion a series of plans. Soong wanted to work with Rajchman to establish an economic planning administration that would coordinate different government offices and establish an industrial plan of a fixed set of years. He gave Salter singular authority to design this administration: it was "handed to Salter by T.V. [Soong]," as the American journalist George Sokolsky put it, "and he simply worked out the details."¹¹⁴

Working with Rajchman and Haas, Salter wrote up a similar guide for the Chinese regime as he had for the Indian colonial government, detailing the kinds of council it could establish and their relative merits. The challenge faced by China was greater than that faced by any Western state. While the growing mismatch between the complexity of modern economic life and the weak economic powers of the state was becoming apparent everywhere, this was exacerbated in China by the need for "a vast and urgent task of reconstruction, development and transformation of its national system." For a task of state-led development at this unprecedented scale, no other country presented anything close to "a complete analogy," though the British

¹¹² "Notes as to Information Given and Opinions Expressed by J.A.S. in conversation on April 26th, 1931." Salter Papers. SALT 1/10. CCA.

¹¹³ FRUS 1934, Vol. III, 399.

¹¹⁴ George Sokolsky to Arthur Young. 31 July 1931. Arthur Young Papers. Box 52. HIA.

system of economic advising was better suited to this task than the German and French model of an representative council. For industrial development, there was less need for an economic parliament involving the public and seeking the approval of private business. A Chinese “National Development Council” was to be closely tied to the state, managed by the president and vice-president of the Executive Yuan, and staffed by various government ministers and experts. After an initial period of experimental preparatory work, it would design a long-term plan of industrial development, of ten years or longer, taking account of the “social evils, which often accompany rapid industrialization (as regards housing, health, etc.)” The council would make possible China’s closer integration into the institutional structures of the world economy, with its members appointed to the League’s Economic Consultative Council and to China’s Delegation to the Assembly. An adviser would be sent to help the state with economic planning, and the League’s committees would, at China’s request, work on additional schemes of development and provide training for Chinese officials. This was a style of internationally-coordinated development that would soon become common, but that had not yet been attempted – with League officials serving “as standing advisers of the [Chinese] Government, and of the National Development Council, in connection with its plan of reconstruction.”¹¹⁵

Soong immediately followed up on these suggestions. On March 9, only a week after Salter’s arrival, he gave Rajchman a memo to bring back to Geneva with information on the kind of council he hoped to establish.¹¹⁶ The following month, he wrote directly to the League, asking for the appointment of an adviser to work directly with the Chinese National Economic Council (NEC). Soong also asked for the assistance of the Financial Committee on questions of financial

¹¹⁵ “A Suggestion for a National Development Council in China.” Felkin Papers. AEF 3/1/110. KCRC; “Planning and Coordinating in Connection with the New National Economic Council.” Salter Papers. Salt 1/10. CCA.

¹¹⁶ T.V. Soong to Ludwik Rajchman. March 9, 1931. SALT 1/10. CCA.

and fiscal policy, and for a close system of cooperation between the National Economic Council and the Economic Committee and Secretariat.¹¹⁷ In May, the League's Council agreed unanimously to Soong's request, though it faced opposition from the Japanese Council delegate.¹¹⁸

The aim of the Chinese National Economic Council was to help realize the central ideal of Guomindang economic ideology: the “*minzu* economy,” a self-sufficient and unified national economy free of foreign influence. It was to help unify China into a coherent “economic unit” and thereby weaken the influence of foreign interests that had exploited the country's fragmentation to their benefit. This idea combined the developmentalist and anti-imperialist ideas of Sun Yat-sen with vogueish European and Soviet ideas of corporatism and planning.¹¹⁹ Soong, in particular, praised the Soviet Supreme Economic Council for having demonstrated how competing bureaucracies could be coordinated via a centralized planning administration. League officials were asked to send experts to China who had specialized knowledge of the Five-Year Plan and experience with the European councils.¹²⁰ Just as in India, Italian fascist visions of economic management and representation were popular in China.¹²¹ The NEC was to have its work overseen by a commission representing “organized interests in a given sphere of activity” and headed by a chairman chosen from public leaders.¹²² In his speech at the opening ceremony of the NEC, formally inaugurated in November 1931, Chiang Kai-shek described how the council would help realize Sun Yat-sen's plans for China's modernization by making

¹¹⁷ “Extract of a Letter from Mr. T.V. Soong.” April 16th, 1931. LON R2668. 10A/29179/29179.

¹¹⁸ FRUS 1934, 399.

¹¹⁹ Zanasi, *Saving the Nation*, 1-26.

¹²⁰ Kuo Min News Agency clipping. 26 September 1931. Young Papers. Box 52. HIA.

¹²¹ Zanasi, *Saving the Nation*, 106-130. On fascism in China, see also William Kirby, “Images and Realities of Chinese Fascism,” in Stein Ugelvik Larsen, ed., *Fascism Outside Europe: The European Impulse Against Domestic Conditions in the Diffusion of Global Fascism* (New York: Columbia University Press, 2001), 233-268.

¹²² “Opening Address by the Chairman of the National Economic Council.” 15 November 1931. Young Papers. Box 52. HIA.

possible a Three-Year Plan of national development, focusing on road-building, industrialization, water conservancy, land reform, the expansion of the Shanghai harbor, and public health works. To realize these plans, Chiang called for tightening the bonds between the NEC and the League's technical bodies, so that statistical information could be shared and experts easily exchanged between Nanjing and Geneva.¹²³

While the prospects for this new organization looked promising in the spring of 1931, a series of devastating crises that summer set it back: first, the flooding of the Yangtze, Hwai, and Yellow Rivers – the worst floods in China's history and the one of the deadliest natural disasters of all time – and then in September, the Japanese invasion of Manchuria, which threw into motion the march towards war, and caused a profound crisis of legitimacy for the League of Nations, which Japan left in February 1933 over the organization's handling of the situation.¹²⁴ These crises restricted the NEC to basic preliminary planning work besides emergency projects on water infrastructure.¹²⁵ A few League appointed-experts nevertheless began to arrive in China. The Croatian public health expert Borislav Borcic had come already in July 1930, and in October 1931, a team of European educationalists, including the British intellectual R.H. Tawney, arrived. In November 1931, another Croatian public health expert, Andrija Stampar – later the first president of the World Health Organization – came, and in January 1932, he was joined by the Polish road engineer S. Okecki.¹²⁶

¹²³ “The National Economic Council. The Opening Address delivered at the First Meeting on November Fifteenth in the Twentieth Year of the Republic of China.” LON R2688.

¹²⁴ Christopher Thorne, *The Limits of Foreign Policy: The West, the League and the Far Eastern Crisis of 1931-1933* (New York: Putnam, 1972).

¹²⁵ David Allen Pietz, *Engineering the State: The Huai River and Reconstruction in Nationalist China, 1927-1937* (New York: Routledge, 2002), 61-75.

¹²⁶ FRUS 1933 Volume III: The Far East, 516.

In September 1932, the Italian agricultural expert Carlo Dragoni, former director of the Institute for Agriculture in Rome, was appointed to an eight-month tenure in China,¹²⁷ to help plan and oversee a major scheme of agricultural reform and development. The original plan, as laid out by the British League official Konni Zilliacus in the spring of 1932, was to have Dragoni spend two months in the Soviet Union studying collectivization and technical improvements and gaining intimate knowledge of the Five-Year Plan.¹²⁸ This was not out of any sympathy to Soviet economics: Dragoni insisted to Chiang Kai-shek repeatedly during his stay that his work in China was part of a worldwide fight against Bolshevism, in which Mussolini's Italy had performed "valiantly."¹²⁹ After arriving in China in October 1932, Dragoni was sent to Jiangxi, a province being wrested from communist control. As demonstrated by the case of Eastern Europe, Dragoni wrote to Chiang, the only way to stop the march of Bolshevism through rural areas was through land reform. The size of family holdings had to be increased, since traditionally small Chinese farms produced too little to cover large debts and high rents. Access to cheap credit was also needed. New machinery attached to the NEC would be created to oversee the redistribution of land from rich holders to peasants, and for a closer coordination of the regime's provincial state-building efforts with officials in Geneva. This was a vision that proved long-lasting: of a rural counter-insurgency coordinated with the technical offices and economic experts of a far-off international bureaucracy.¹³⁰

¹²⁷ ADF to Carlo Dragoni. 6 September 1932. LON R2668.

¹²⁸ Konni Zilliacus to Pietro Stoppani. 4 May 1932. LON R2688.

¹²⁹ "Rapport sur les impositions pour la propriété foncière dans les régions délivrées des bandits," LON R4530/10A/583/583.

¹³⁰ Mission de M. Dragoni, expert agricole, Rapport. LON R4530.10A/583/583. For more on Dragoni, see Zanasi, "Exporting Development," 157-163.

V. Financing China's Development

As the few League experts who had arrived to China by 1933 began to draw up plans like these, the question of how to finance them returned to the center of discussion. In early 1933, Soong worked on new strategies for attracting international capital to China, though he had begun to doubt that the League of Nations would be able to provide much help with this. He looked instead for the help of a great power.¹³¹ In April, Soong travelled to the United States, where he secured a \$50,000,000 loan to buy American wheat and cotton on credit. This was intended to provide the cash needed for an expansion of the work of the League experts. Acting as Soong's adviser was Jean Monnet, who had quit the League in 1923 to work in private finance and who in 1933 became, along with Rajchman, Soong's principal European adviser.¹³² Working with Monnet, Soong attempted to establish a new financial mechanism to pay for the work of the National Economic Council. In June 1933, he travelled to England for the World Economic Conference, where he spent most of his time negotiating with British officials over the possibility of a new financial institution as an alternative to the Consortium.¹³³ What Soong wanted was an International Corporation to pool capital from Chinese, European, and American shareholders which would be used to purchase capital goods from abroad. Japan, which was represented on the Consortium, would be barred from this institution.¹³⁴

European observers recognized that this was bound to infuriate Japanese officials, who saw China's industrial development as part of a grand design to strengthen its opposition to

¹³¹ Trotter, *Britain and East Asia*, 61-87.

¹³² Jean Monnet, *Memoirs*, trans. Richard Mayne (New York: Doubleday, 1978), 109-115. See also Hungdah Su, "The Father of Europe in China: Jean Monnet and creation of the C.F.D.C. (1933-1936), *Journal of European Integration History* 13.1 (2007), 9-24; Eric Roussel, *Jean Monnet, 1888-1979* (Paris: Fayard, 1996), 137-164.

¹³³ Trotter, *Britain and East Asia*, 65.

¹³⁴ FRUS 1933, 504.

Japan. If they were not centrally involved in any scheme, they would work to spoil it.¹³⁵ Japanese objections to this scheme made private financial officials hesitant to get involved. Besides excluding the Japanese, the British Consortium member Charles Addis pointed out, Soong's proposed organization would be little different to the Consortium. Establishing it would be seen as tantamount to an expulsion of the Japanese members. The plan was rejected. Until China was willing to involve Japan in its reconstruction, Thomas Lamont told Soong, "she would not get a cent of American money."¹³⁶ Salter recognized how political the question of the Consortium was, and how much Chinese officials were desperate to find money through alternative channels. But these were unlikely to be found given the disastrous state of international conditions. There was the possibility of a loan to China on the model of other League reconstruction loans in Europe, though Salter insisted that the League could not apply the same model of foreign control as it had in Austria and Hungary. Investors would simply have to trust that the League appointed experts were working to make the regime a safe guardian of foreign capital.¹³⁷

Some British officials did see the possibility of China's development and stabilization as redounding to the benefit of Western states (and of "world economics," in general) – an argument that Sun Yat-sen had originally made in his *International Development of China*. Rising Chinese demand would help solve the problem of industrial overproduction elsewhere and thus help lift the rest of the world out of the Depression.¹³⁸ Walter Runciman, head of Board of Trade, thought an export credits scheme for China might alleviate domestic unemployment in Britain. But British officials did not seem to clearly understand the nature of the work on the

¹³⁵ Trotter, *Britain and East Asia*, 62. As one British official put, the Japanese felt towards a strong and rich China "much as we should feel towards Europe if all the countries of that continent were united under one sovereignty." "Council Committee on Technical Collaboration with China." TNA FO 371/18090.

¹³⁶ "Charles Addis's Conversations with T.V. Soong." TNA FO 371/17128.

¹³⁷ Arthur Salter to Victor Wellesley. 31st July 1931. Salter Papers. SALT 1/10. CCA.

¹³⁸ "Possible Raising of Far Eastern Question by T.V. Soong at World Economic Conference." TNA FO 371/17135.

ground: “is their idea that the Chinese Government should try to plan a system of national economy on methods that are recommended by intellectuals in Geneva and Washington and that have been practiced in Moscow,” one asked the visiting Chinese delegation in June, “or is their policy one of rebuilding China by commercial enterprise?” (To ease suspicions, Chinese officials insisted it was the latter, and that the “commission of national economy” could not be considered an economic planning council.)¹³⁹ But most thought it was simply unfeasible to make further loans to China, after a long history of Chinese defaults and tardiness in paying off the Boxer Indemnity.¹⁴⁰ Any new scheme would require full foreign oversight, and would have to involve the Japanese. Soong was putting private finance in an impossible situation, asking it to take sides in an increasingly explosive political situation. “Capital,” as one British official put it, “was notoriously nervous of such entanglements.”¹⁴¹

Soong’s other major initiative of the summer of 1933 was to reach an agreement with the League formalizing the work of the experts being sent to China, and for the appointment of a League official directly to the NEC. That year, the League had doubled-down on its commitment to China’s reconstruction. The Lytton Report of October 1932 on the Manchurian crisis had called for closer international cooperation to realize the “reconstruction and modernisation” of the Chinese state, and to show strong support for the League’s work at the NEC, since China’s economic instability was causing friction with Japan and now becoming an “anxiety to the rest of the world.”¹⁴² In February, the Assembly endorsed the Report’s recommendations, and called for the League to take full charge of China’s development, along the lines outlined by Sun Yat-

¹³⁹ “Export Credits for China.” TNA FO 371/17135.

¹⁴⁰ “Memorandum on T.V. Sung [sic].” TNA FO 371/17135.

¹⁴¹ “League Co-operation with China.” TNA FO 371/17128.

¹⁴² League of Nations. *Situation in Manchuria: Report of the Lytton Commission of Inquiry*. (Geneva: League of Nations, 1932), 131.

sen.¹⁴³ In June, a new Special Committee at the League on Technical Collaboration with China was created, for which Soong attempted to drum up foreign support. He faced resistance from the Japanese, who sought to dissuade American officials from joining it as non-official members.¹⁴⁴ U.S. officials resisted these efforts. They saw China's state-building effort as now having major strategic value: "at the bottom of the trouble in the Far East," as Stanley Hornbeck, chief of the State Department's Division of Far Eastern Affairs, put it, "lies the weakness of China."¹⁴⁵ Avenol's direct request for U.S. Secretary of State Cordell Hull to back the committee did cause some annoyance among American officials, who saw this as an ex post facto plea for an American stamp of approval for a program designed without consultation with them. But the promise of China's economic development now seemed to offer a better prospect than any other for diminishing the likelihood of war in the region. The U.S. could not take part formally in the League scheme, but an unofficial adviser travelled to the July 1933 meetings of the new committee in Paris.¹⁴⁶

Discussion at these meetings turned on the question of how to maintain close supervision over the delegate appointed as liaison between the NEC and the League, though in ways that did not violate Chinese sovereignty, and how to guarantee that the League's work in China remained exclusively technical and "non-political." Though most everyone distrusted and disliked him, Rajchman was appointed to the position of liaison for one year. He was seen as highly politically outspoken and strongly anti-Japanese, with a tendency for dangerous meddling in politics.¹⁴⁷ But since he was Soong's closest Western associate, blocking his appointment would not only offend

¹⁴³ "Report Provided for in Article 15, Paragraph 4, of the Covenant, Submitted by the Special Committee of the Assembly in Execution of Part II (Paragraph 5) of the Resolution of March 11th, 1932, and Adopted by the Assembly on February 24th, 1933." LON OJ SS (1933): 74-75.

¹⁴⁴ FRUS 1933, 505-512.

¹⁴⁵ Ibid., 514.

¹⁴⁶ Ibid., 497-499.

¹⁴⁷ "Memorandum respecting League of Nations Technical Assistance to China." TNA FO 371/18090.

Soong, but also might lead to him being hired as an independent adviser to the regime, which would remove him from League oversight.¹⁴⁸ British officials also hoped Rajchman might be able to force the Chinese to make good on some of their long-standing foreign debts,¹⁴⁹ though they told Drummond and Avenol to strongly warn Rajchman – who had “no conception of the limits within which a League official, in such a position as his, should confine his activities”¹⁵⁰ – not to interfere in the brewing Chinese-Japanese conflict. For his part, Rajchman argued that the great powers had an enormous stake in reforming and modernizing China’s administration in the face of Japanese aggression: failing to do so would cause China to disintegrate and fall to communism.¹⁵¹ But most were highly uncomfortable with Rajchman’s appointment: “nothing will stop this intriguing Jew from being an intriguing Jew,” as one British official put it viciously. “He has politics in the blood.”¹⁵²

In the summer of 1933, Monnet and Salter were invited back to China in a private capacity, where they arrived in late November that year.¹⁵³ Monnet was tasked by Soong with the consolidation of China’s major different banking institutions into a Development Finance Corporation,¹⁵⁴ modeled on merchant banks like Kuhn Loeb’s and Lazard and Schroeder, and to design a program of economic reconstruction building off of Salter’s ideas.¹⁵⁵ Monnet’s corporation was initially to be subscribed with all Chinese capital, but its aim was to attract foreign capital and to increase the confidence of international lenders in China’s creditworthiness. It was to be unrelated to the League, though Monnet understood his work as

¹⁴⁸ “Proposed mission of Monsieur Rajchman in China.” TNA FO 371/17128.

¹⁴⁹ “Proposed Return of Dr. Rajchman to China on behalf of League of Nations.” TNA FO 371/17127.

¹⁵⁰ Robert Vansittart to Eric Drummond. 5 April 1933. TNA FO 371/17127.

¹⁵¹ “Proposed Return of Dr. Rajchman to China on behalf of League of Nations.” TNA FO 371/17127.

¹⁵² “Dr. Rajchman’s proposed mission in China.” TNA FO 371/17128.

¹⁵³ “League Co-operation with China.” TNA FO 371/17128; “Memorandum on the Proposed Corporation.” Salter Papers. SALT 1/10. CCA.

¹⁵⁴ “Memorandum respecting League of Nations Technical Assistance to China.” TNA FO 371/18090.

¹⁵⁵ David Drummond to Francis Lindley. TNA FO 371/18078.

providing an institutional means of financing the work of League experts: Salter created the council to make plans and “mobilize the resources,” as Monnet later described it, while he looked for the capital to fund them.¹⁵⁶ The Finance Development Corporation was established in June 1934 with an initial capitalization of \$10 million, divided into a million \$10 shares,¹⁵⁷ to the great consternation of the Japanese, who rightly feared it had been designed to finance China’s development and who distrusted Monnet for his longstanding and close connections to the League.¹⁵⁸

In late 1933, there was still optimism for these schemes, and a feeling that while currently weak, the NEC was poised to become the major force for China’s modernization. After Rajchman arrived back in China in October 1933, the coordinated NEC-League work continued. Plans were drawn up for ambitious measures of agricultural reconstruction: the improvement of crop yields and animal husbandry, and the transformation of land and property laws to turn “tenant-farmers” into “owner-farmers.” Work began on the establishment of Provincial “Welfare Centers,” to provide mass education for workers, cooperative credit services, agricultural training, and emergency assistance for refugees and the unemployed. Schemes were laid out for the rationalization of cotton and silk production, the construction of new health and water infrastructure, education reforms, and the expansion of China’s highways and railway systems – with one plan calling for, “in some distant future,” the extension of the Lunghai rail system far westwards, to connect with tracks leading through Central Asia and into Europe.¹⁵⁹

¹⁵⁶ Monnet, *Memoirs*, 112.

¹⁵⁷ “Chinese Development Finance Corporation.” TNA FO 371/18078.

¹⁵⁸ “Effect on Sino-Japanese Relations of Monsieur Monnet’s activities in China.” TNA FO 371/18098.

¹⁵⁹ League of Nations, *Council Committee of Technical Collaboration with China. Report to the Council of its Technical Delegate on his Mission in China from Date of Appointment until April 1, 1934* (Geneva: League of Nations, 1934), 39.

But just as cooperation between Nanjing and Geneva seemed to have been set on surer footing with Rajchman's appointment as liaison in the summer of 1933, and with the return of Salter and arrival of Monnet that autumn, the project began to fall apart. European and American officials had been right to think that Rajchman's appointment would doom it.¹⁶⁰ The role of the League experts was also falling short of expectations. Some Chinese intellectuals suggested that it amounted to little more than report writing, and served "no other purpose than the satisfaction of having added another paper plan to the government archive."¹⁶¹ There was some truth to this claim: the many long reports by the League experts, along with the Three-, Four-, Five-, and Ten-Year plans drawn up by Chinese officials, resulted in a flood of paper – and in some cases, not much more.¹⁶² The League's energy, some argued, was better spent checking Japanese belligerence: "No matter how many experts the League may send to China their mission is only to visit the Ming Tombs in Nanking, the old palace in [Peking], etc.," wrote the economist and journalist C.Y.W. Meng. "All the reconstructive projects which may be drawn by the experts are only 'paper construction.'"¹⁶³

Rajchman himself was quick to admit the League experts had little particular understanding of China, no grasp of the language, and usually only saw a tiny part of the enormous country on their visits. The effort just to provide them with useful data, translated into their own languages, was enormous.¹⁶⁴ Even some of the experts described their appointments as involving very little work: one said it involved advising the state only once or twice per year.

¹⁶⁰ "Monsieur Jean Monnet's activities in China." FO 371/18078.

¹⁶¹ H.D. Fong, *Towards Economic Control in China* (Shanghai: Institute of Pacific Relations, 1936), 83. See also Gideon Chen, "Chinese Government Economic Planning and Reconstruction," in *Problems of the Pacific, 1933*, 382.

¹⁶² On this point, see Stephen Lyon Endicott, *Diplomacy and Enterprise: British China Policy 1933-1937* (Manchester: University of Manchester Press, 1975), 23-24.

¹⁶³ C.Y.W. Meng, "China Goes to Geneva for Technical Assistance in Reconstruction Program," *The China Weekly Review*, July 29, 1933.

¹⁶⁴ League of Nations, *Council Committee of Technical Collaboration with China*, 50.

The fact that they did not remain in China long enough to have much effect, and had little authority, was hurting the prestige of the League and its technical services.¹⁶⁵ Rajchman had begun to doubt the viability of having foreign experts overseeing China's development at all. "The whole conception of assistance rendered through advisers who, while paid for by the Chinese, stood outside their Civil Service, clothed with the dignity of the country from which they were selected, is absolutely and entirely finished," he wrote.¹⁶⁶ What was certainly finished was Rajchman's own role in this process. His contract was not renewed when it expired in August 1934. European officials strongly objected to his return.¹⁶⁷ No successor was appointed, though Haas was rumored to have wanted the post.¹⁶⁸ After this point, some League experts remained in China, but without access to foreign capital, their plans did not advance far past the planning stage.¹⁶⁹ The challenge of getting foreign capital to China to finance its development had proven too political to solve. But without the funds, the NEC could not put its many plans into action.¹⁷⁰ As war approached, responsibility for China's industrial development moved from the NEC to the National Defense Planning Commission, as preparations for war took precedence over expanding the "people's livelihood." The role of League-appointed experts gave way to German ones, until they were recalled when Hitler announced Germany's alliance with Japan.¹⁷¹ Haas travelled there again in early 1935 to reinvigorate the work of the League, but little came of his trip. On top of the difficulties on the international level, the NEC had been hobbled by local

¹⁶⁵ Selskar Gunn. Travel Diary. Dec. 12, 1932, Apr. 13, 1933. RF.RG1.601.12.129.

¹⁶⁶ "Dr. Rajchman's view on Chinese Affairs." TNA FO 371/18091.

¹⁶⁷ FRUS 1934, 409

¹⁶⁸ Ibid., 412.

¹⁶⁹ Ibid., 389.

¹⁷⁰ FRUS 1933, 622-623.

¹⁷¹ William Kirby, *Germany and Republican China* (Stanford: University of Stanford Press, 1984). 84-101; Diana Lary, *Region and Nation: The Kwangsi Clique in Chinese Politics 1925-1937* (Cambridge: University of Cambridge Press, 1974), 164-167; Morris L. Bian, *The Making of the State Enterprise System in Modern China: The Dynamics of Institutional Change* (Cambridge, MA: Harvard University Press, 2005), 193-198.

problems: bureaucratic disorganization, infighting among Chinese leaders, and a lack of coordination between different government ministries – exactly the problems it had originally been designed to solve.¹⁷²

When Salter returned to China in late 1933, he was more pessimistic about its prospects for development than on his first trip there in 1931. The Depression was now having devastating effects on China's finances and trade, while high levels of military spending were putting a crippling strain on the budget. A process of "decapitalization" was underway, with silver flowing out of the countryside into banks in Shanghai and being exported abroad. Salter put a cautiously optimistic spin on the situation, arguing that if capital could be delivered to productive activities, China presented a "greater opportunity for the capital resources of the world being productively and beneficially employed than is to be found in any other great country." But the problem was that China had not yet found a workable model for its development, adapted to its national conditions and resources. The temptation of simply importing a foreign model, like the Soviet one, would prove disastrous. Salter argued that China was at risk of outpacing the natural order of its development by leaping headlong into industrialization before its thorough agricultural modernization. There was a tension in his report: between his insistence on a natural chronology of modernization and his doubts about the availability of any singular model to achieve it.¹⁷³

Accounts that emphasize the failure of the Chinese council and its work with the League, however, miss the significance of the fact this work occurred at all.¹⁷⁴ There was almost no precedent for what was being attempted: this was the first time an international organization had

¹⁷² Zanasi, *Saving the Nation*, 81-102.

¹⁷³ Salter, *China and Silver* (New York: Economic Forum, 1934).

¹⁷⁴ The failure of this work is the major focus of Osterhammel's, "'Technical Cooperation' between the League of Nations and China," which offers, to date, the most thorough account of the League's economic and technical work in China.

taken responsibility for assisting a sovereign state with its policies of national economic governance in ways that marked a departure from older colonial practices. There was no experience with coordinating systems of peacetime national economic control on the international level, or of providing guidance to states attempting to create them from the ground up. Salter and Rajchman were quick to admit that they they did not understand what they were doing, and stressed repeatedly the unavailability of any ready-made Western model for their work in China. Plans to finance this work also represented an innovation, with an international organization called on to take responsibility for guaranteeing international reconstructions loans, along the model that had been first employed for the financial reconstructions of Austria, Hungary, Greece, Bulgaria, and the Dawes Plan of 1924. Contemporaries recognized this move from an older model of semi-colonial bondholder control to development financing through an international organization as an important transformation, with the promise of League aid showing “the modern way in which China is going to make use of European assistance – as compared with the foreign employee, employed in the bondholders interests, of the past.”¹⁷⁵

For some Chinese intellectuals concerned with the worldwide move toward economic control since the Great War, China was playing a furious game of catch-up, its modernization held back by decades of foreign intervention. The way past this, as the Chinese economist H.D. Fong put it, was through international cooperative efforts like that of the League – though at the time of his writing in 1936, the League’s work in China had effectively come to an end.¹⁷⁶

Others insisted that Nationalist China was, by contrast, developing more rapidly than states in the West, and that in the early 1930s, represented a global vanguard of modernization. With the

¹⁷⁵ “The National Economic Council.” TNA F0 676/80.

¹⁷⁶ Fong, *Towards Economic Control in China*, 83-91.

possible exception of Turkey, no country in the world, as the Chinese League delegate Alfred Sao-ke Sze put it in 1934, was developing as quickly as China.¹⁷⁷

VI. Towards Economic Control Before World War II

In states that did not yet exercise significant control over their national economies, the Chinese experiment did appear unusually advanced. This was true for some American observers, who described the world's experiments with national economic councils as representing the dawn of a new era of economic administration. For some, the Chinese efforts to build up a centralized planning council showed that progress was being made towards the kind of international economic planning that would be necessary to bring the world out of the Depression.¹⁷⁸ In a long report on national economic councils from 1931, Lewis Lorwin, an economist at the Brookings Institution and a leading American intellectual of economic planning, described how these councils could become the first institutions to study and manage the national economy as a totality: "If properly equipped for research and if working methodically, an advisory council can have at its disposal a continuous picture of the way the economic life of a country is going," Lorwin wrote. "It can view not only this or that industry in its isolation but all industries in their interrelation. It can, therefore, if called upon, present what may be called an annual audit of a country, giving a connected view of economic development."¹⁷⁹ Lorwin saw the possible creation of an American Federal Council as offering the U.S. state a unique opportunity to strategize a plan of recovery from the Depression, since the

¹⁷⁷ Sao-ke Alfred Sze, "Reconstruction in China," *The Annals of the American Academy of Political and Social Science* 177.1 (1935): 257-267.

¹⁷⁸ LPK to J.B. Condliffe. May 30, 1931. Institute of Pacific Relations Records, 1927-1962. Box 108. RBMLCU.

¹⁷⁹ Lewis Lorwin, *Advisory Economic Councils* (Washington, D.C.: Brookings Institution, 1931), 48.

U.S., like most states, had little experience with the kind of economic management needed at the national level to manage a crisis of this scale.¹⁸⁰

When he arrived in the United States in May 1931 after his travels in Asia, Salter recommended the establishment of an American economic council, in the midst of growing agitation for some kind of centralized “economic general staff.” His report for India was studied for information on how to do so.¹⁸¹ In December 1931, the Republican Senator Robert La Follette Jr. from Wisconsin introduced a bill to Congress calling for the creation of a National Economic Council, made up of fifteen presidential appointees, selected from annual lists submitted by organizations representing American financial, labor, industrial, agricultural, and transportation interests. The U.S. Chamber of Commerce backed similar plans for the creation of a U.S. Council, modeled on its European counterparts, with three to five members drawn from representatives of different economic groups and staffing a large corps of economists and statisticians.¹⁸² Before the 1931 hearings on La Follette’s bill, Edward Hunt, a leading economic adviser to Hoover, suggested U.S. government officials study Salter’s guide for India.¹⁸³ Hunt also prepared his own memo on economic councils that drew on reports from the League’s experience in China.¹⁸⁴ U.S. congressional hearings on the proposed council were, in turn, studied by Chinese economists.¹⁸⁵

¹⁸⁰ Lewis Lorwin, “A Federal Economic Council,” *The New Republic* April 29, 1931.

¹⁸¹ “Salter Maps Guide for India’s Economy.” *New York Times* 28 June 1931.

¹⁸² Charles Beard, *America Faces the Future* (Boston: Houghton Mifflin Co., 1932), 205-206, 217-223.

¹⁸³ “Hearings before a Subcommittee of the Committee on Manufacturers. United States Senate. Seventy-Second Congress. First session on S. 6215 (71st Congress). A Bill to Establish a National Economic Council.” October 22 to December 19, 1931. (Washington, D.C., 1932).

¹⁸⁴ Edward Hunt to AW Shaw, 4 July 1931. Edward Hunt Papers. HIA. Box 17.

¹⁸⁵ “Summary of Conference Proceedings,” *Problems of the Pacific*, 1933, 381.

These efforts represented an important episode in the elaboration of national economic planning schemes in the U.S. just before the New Deal.¹⁸⁶ Many have written about the short-lived American experimentation with diverse models of national political economy in the early 1930s, particularly Italian fascism, which gave way with the advent of the “Second New Deal” in the latter half of the decade.¹⁸⁷ A similar point could be made on the global level: the first attempts with centralized national economic administrations through the early 1930s, in the United States, Germany, France, Britain, India, and China, did not work as originally planned. But while largely ineffectual, these institutions represented a prelude to the economic bureaucracies that were strengthened during the Second World War. During the early 1930s, there was no direct diffusion of knowledge about how to create this kind of a bureaucracy from a singular node of expertise outwards, as implied by the idea of a “Keynesian Revolution;” rather, there was a simultaneity of experiments in national administration, with no obviously superior options yet, and a constant exchange of ideas between those involved with them.¹⁸⁸ At the beginning of the 1930s, some made direct comparisons between the challenges faced by China and the U.S., two enormous countries that lacked the kind of national economic administrations that had emerged in postwar Europe, Turkey, and Japan. On a spectrum of tightly controlled economic spaces to only loosely governed ones, as a 1933 report for the Institute of Pacific Relations put it, Japan lay at one extreme; the United States – “with a tradition of states’ rights and an actual diversity of needs and opportunities which permits of no straight-laced guidance of the economic life in accordance with a single formula” – lay at the other. China was simply an

¹⁸⁶ On this point, see the 1934 report by the National Planning Board (Federal Emergency Administration of Public Works), *Final Report, 1933-1934* (Washington, D.C., 1934), 20-21, 71-72.

¹⁸⁷ See, for example, Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: Alfred A. Knopf, 1995); Ira Katznelson, *Fear Itself: The New Deal and the Origins of Our Time* (New York: Liveright, 2013).

¹⁸⁸ On this point, see Tooze, *Statistics and the German State*, 13-17.

example of an even more extreme version of the American problem, with its administrative fragmentation exacerbated by decades of foreign economic domination.¹⁸⁹

In the first four years of the 1930s, officials at the League of Nations attempted to play a role in this global moment of excitement for experimentation in new forms of national economic management by making available to non-European states what little information they had about how to govern and develop a national economy. They could offer no standardized guides to follow, since there was still uncertainty about how national economic life should be studied and measured and about what role the state could play in its management and development. When the League declined to pay for the calculation of India's national income in 1933, this was not only to avoid stirring up unrest in the colonial territory of its leading member state, but it was also because this information was thought of as offering little of "international interest."¹⁹⁰ This situation changed completely in just a few years. After 1945, economists and bureaucrats, around the world, began to draw on an internationally-shared language of economic expertise and macroeconomic abstractions, like GDP, to measure national wealth, compare it to that of other states, and execute plans of development based on what this data revealed. The economic life of the entire world became statistically visible and comparable for the very first time. By 1957, 92 countries and colonies had published official national income estimates. The idea of a national economy as a system that could be statistically measured by experts and managed by bureaucracies became a truly global ideal.¹⁹¹

Near the end of his life, Schuster reflected on what his economic work in India had looked like before the revolutions in economic governance just around the corner: "It is

¹⁸⁹ "Summary of Conference Proceedings," *Problems of the Pacific*, 1933, 178.

¹⁹⁰ Alexander Loveday to Arthur Elliott Felkin. LON R4379. 10A/1781/1781.

¹⁹¹ Paul Studenski, *The Income of Nations: Theory, Measurement, and Analysis: Past and Present* (New York: New York University Press, 1958), 156-157; Matthias Schmelzer, *The Hegemony of Growth*, 85-116.

interesting to reflect on the methods according to which I thought it right to fight against financial difficulties more than 50 years ago in the primitive days of what might be described as ‘bow and arrow’ methods of economic warfare,” he wrote. “These may be seen as childishly elementary by those who work according to the sophisticated methods of today following on the Keynesian revolution.”¹⁹² It was during this supposedly primitive era of economic knowledge and management that officials at the League of Nations first imagined the possibility of overseeing the national economic systems of some of its member states. Given the experimental nature of this project, it was not attempted in Europe, but only in weak, semi-sovereign, and colonial spaces beyond its borders. As the Depression wound on, and a new war approached, this task – coordinating the administration and development of national economies around the world – became the central challenge of international economic management.

¹⁹² Schuster, *Private Work and Public Causes*, 125.

CHAPTER SIX

International Plans for Reflation at the Outbreak of War, 1938-40

I. Schemes for Coordinated Expansion in the 1930s

In the second half of the 1930s, one of the central questions for international economic experts was whether the new interventionist economic powers of the state could coexist with a liberal international system. Those who espoused strongly liberal, or what was now coming to be referred to as “neo-liberal,” economic views, like Lionel Robbins or Wilhelm Röpke, argued that statist economics and liberal internationalism could not coexist. Economic intervention, on their view, led to nationalist retrenchment and thus inevitably to war.¹ It was no coincidence that the turn to economic nationalism in the 1930s coincided with the coming of conflict. Others insisted that statist economics and liberal internationalism could be reconciled if new forms of international organization, supervision, and regulation were put into place to harmonize the national policy-making of different states. The challenge first posed by inter-Allied officials during the Great War – how to transform traditional conceptions of sovereignty to facilitate the technical coordination of different national administrations – was pushed in a more ambitious direction. Now, the aim was to internationalize the unprecedented economic powers of states across the industrialized world – both to guarantee the preservation of these powers on the national level and to ensure that they did not further destabilize the liberal international order.

This challenge was at the center of debate among ILO and League experts in the 1930s about the possibility of finding an international reflationary response to the Depression. Their attempts to do so led to the development of elaborate plans for international public works

¹ Lionel Robbins, *Economic Planning and International Order* (London: Macmillan, 1937); Wilhelm Röpke, *International Economic Disintegration* (London: William Hodge and Company, 1942).

projects and international macroeconomic coordination, which drew inspiration from the League's work in China and the financial reconstruction of Austria. These schemes laid the foundation for three of the central proposals for postwar planning during the 1940s: first, for an international means of coordinating national anti-depression and full employment policies; second, for a new international institution to stabilize the prices of primary commodities on international markets; and third, for international schemes for the development of poor countries and colonies. These proposals, listed above in descending order of controversy, were placed at the heart of postwar planning from 1941-43, intended to complement monetary stabilization and a return to multilateral and open trade.

Most accounts of wartime international economic ideas and policies overlook the development of these policies, and focus almost exclusively on the problems of trade and financial stabilization, with the occasional backwards glance to 1930s financial negotiations like the Tripartite Agreement for signs of "preparation" for America's rise at Britain's expense.² For contemporaries, however, the slate of issues was larger. Trade and financial stabilization were seen as two aspects of a larger agenda needed to tackle the global business cycle and to restructure the relationship between national economic systems and that of the world as a whole. "Unless we can work towards international control of the cyclical movement of trade," as Dennis Robertson put it in late 1937, "sooner or later we shall all be back in the gutter playing beggar-my-neighbor."³ The focus was now squarely on the problem of cycles and the international transmission of depressions, which had come to be seen as one of the principal threats to global

² Benjamin M. Rowland, "Preparing the American Ascendancy: The Transfer of Economic Power from Britain to the U.S., 1933-1944," in Benjamin M. Rowland and W.H. Bruce Brittain, eds. *Balance of Power or Hegemony: The Interwar Monetary System* (New York: New York University Press, 1976), 195-224. See also Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press, 1964).

³ D.H. Robertson, "The Future of International Trade," *The Economic Journal* 48.189 (1938): 1-14, at 14.

security: “Through the misery they create,” Loveday wrote in 1938, “through the mystery of their cause, through the fatalism and the antagonisms to which they give rise, [depressions] are the greatest social danger and the greatest danger to peace and collective sanity and security to which the modern world is subject.”⁴ Once the business cycle became a global problem, the solution to it seemed to be the one that had become popular on the national level: a system of demand-management overseen by economists and officials. This called for a major expansion of international administration, and it transformed how international economic management was envisioned through the 1940s and beyond.

II. International Public Works at the ILO and League of Nations

The earliest major plans for international schemes of reflation began with the ILO’s attempts to internationalize European public works programs in the immediate aftermath of the war. In the 1920s, ILO officials pressed the Mixed Committee on Economic Crisis to get involved, but it took the outbreak of the Depression for League officials to take much notice.⁵ In April 1931, Albert Thomas brought the idea to the League’s Commission of Enquiry for European Union, and that autumn, a Committee of Enquiry on Public Works and National Technical Equipment was established at the League’s Communications and Transit Organisation to collect information from states on their public works programs and assess them for League sponsorship. Putting great masses of people to work in many different countries was seen as potentially providing a major stimulus to the world economy, though this kind of demand management on the international level had never been attempted before. One model for these

⁴ Alexander Loveday, “Problems of Economic Insecurity,” in *The World’s Economic Future* (London: George Allen & Unwin, 1938), 17-43, at 34.

⁵ International Labour Office. *Unemployment and Public Works. Studies and Reports Series C (Employment and Unemployment) No. 15* (Geneva: International Labour Office, 1931).

schemes was the League's work in China, particularly on river infrastructure development in the Hwai river basin, road building, and the modernization of the Shanghai port.⁶ The knowledge accumulated from this experience was to be applied to the programs of technical assistance the League would bring elsewhere, especially to the Central and Eastern European states now eager for international assistance.⁷ The Greek government asked the League for help with road construction and drainage and irrigation work in the Salonica and Seres plains, which would complement the ongoing program of resettling Greek refugees from Turkey. Another proposal came from Yugoslavia to build a sprawling set of road systems throughout the Balkans.⁸

The idea of using Central and Eastern European economic development as a solution to the world depression became popular during these years. In 1931, the French economist, League delegate, and leading Europeanist Francis Delaisi laid out an influential plan for European economic integration that called for building up Eastern European infrastructure to provide new outlets for goods from the major industrial countries. He described the European system as a microcosm of the world's economic system itself, with its advanced industrial regions in the West ("l'Europe du cheval-vapeur") locked into a relation of interdependence with the agricultural regions of Central and Eastern Europe ("l'Europe du cheval de trail"). The entire system was to be brought into more productive harmony through the continental extension of public works and interregional economic planning.⁹ Another influential scheme was developed by the Russian Menshevik economist Wladimir Woytinsky, now in exile in Berlin, who outlined

⁶ "Work of the Communications and Transit Organisation. Report Submitted to the Second Committee by M. Costa du Rels." LON OJ SS (1931): 69

⁷ "Resolutions Adopted on the Reports of the Second Committee." LON OJ SS (1931): 15.

⁸ League of Nations. Communications and Transit Organisation. Committee of Enquiry on Questions relating to Public Works and National Technical Equipment. Report on the Third Session of the Committee. September 24, 1932. C.646.M.323.1932.VIII.

⁹ Pierre Tilly and Michel Dumoulin, "Interwar Plans for European Integration," in Natalie J. Doyle and Lorenza Sebesta, eds. *Regional Integration and Modernity: Cross-Atlantic Perspectives* (Lanham: Lexington Books, 2014), 1-20, at 7.

a plan of European public works programs designed to put four to five million people back to work and thus provide the “economic system of the world the stimulus which it so much requires.”¹⁰ These plans were particularly popular with French socialist and German social democratic intellectuals, who offered other visions of Europe-wide public works programs and schemes to reignite German industry in order to help meet reparations obligations.¹¹

Transnational and inter-regional plans like these, especially those focused on Europe-wide projects of infrastructural development, had particular appeal for internationalists, and resulted in some of the most influential early blueprints for European economic integration.¹² This was a popular vision of a reflationary Europe –a New Deal for the entire continent – which stands out in contrast to the strongly anti-inflationary union that exists today.

One of the influential proponents of this idea was James Meade. In a short book from 1933 inspired by Delaisi, Meade called for building modern roads across the “long strip of agricultural country stretching from the Baltic to the Aegean and wedged in between industrial Western Europe and Soviet Russia” so as to integrate a vast new market in the heartlands of the old Empires, from the Balkans up to Poland. This would not only improve the lives of “some 60 million peasants,” as well as thousands of industrial workers, but also potentially bring a halt to the “depression in the world as a whole.” Taken in aggregate, internationally-coordinated modernization schemes – as basic as replacing the ox and muddy road in a Polish village with the truck and motorway – might help bring the entire world out of depression. Meade called for extending this work further afield, with the construction of new rail lines from Spain to Senegal,

¹⁰ Wladimir Woytinsky, “International Measures to Create Employment: A Remedy for the Depression,” *International Labour Review* 25.1 (1932): 1-22, at 21.

¹¹ Dan S. White, *Lost Comrades: Socialists of the Front Generation, 1918-1945* (Cambridge, MA: Harvard University Press, 1992), 119-121.

¹² Vincent Legendijk, *Electrifying Europe: The Power of Europe in the Construction of Electricity Networks* (Amsterdam: Aksant, 2008), 74-106.

via Gibraltar, and for the connection of Russian and Indian railways through Afghanistan.¹³ For the next decade, Meade was one of the principal advocates for internationally-coordinated reflationary schemes like these. In the first edition of the *World Economic Survey* he wrote after joining the League in 1937, Meade gently suggested – to the extent that he could recommend policies – that recent rearmament drives and monetary expansion schemes could be reconciled with a liberal international system if a “majority of the important industrial countries planned and timed their schemes of internal expansion in co-operation.”¹⁴ Elsewhere he called for a new suite of internationally-coordinated full employment policies, mediated by the BIS and an “International Commission” to oversee worldwide public works.¹⁵ In his early works on postwar planning, Meade suggested a new committee be established at League, staffing representatives from governments, central banks, labor groups, and technical experts, to harmonize national public works projects and to strategize schemes for their international financing.¹⁶ Before he left Geneva, Meade called for economists, of varying ideological commitments, to work together on the technical details of a postwar international authority, and to understand, in detail, which national planning measures had pernicious international effects – which liberals tended to focus on – and which had neutral or even positive ones.¹⁷ He insisted throughout the war on the need for the international coordination of national expansionary policies with international public works, development, and commodity price stabilization.¹⁸

¹³ J.E. Meade, *Public Works in their International Aspect* (London: New Fabian Research Bureau, 1933), 4-5.

¹⁴ League of Nations, *World Economic Survey 1937-38* (Geneva: League of Nations, 1938), 205.

¹⁵ James Meade, *An Introduction to Economic Analysis and Policy* (London: Oxford University Press, 1937), 371-381.

¹⁶ James Meade, *The Economic Basis of a Durable Peace* (Oxford: Oxford University Press, 1940), 29-33, 41.

¹⁷ James Meade to Lionel Robbins. 31 March 1940. Lionel Robbins Papers. 3/1/1. London School of Economics Archive.

¹⁸ Susan Howson, ed. *The Collected Papers of James Meade. Volume 1: Employment and Inflation* (London: Routledge, 2005), 204-206.

At the ILO, the major backer of these programs, until his unexpected death in 1932, was Albert Thomas. Thomas developed a plan for Europe-wide public works, also influenced by Delaisi's, in response to what he saw as the ill-considered scheme for European union that Briand had delivered at the League's Assembly in September 1929. He called for a new network of motorways, centered on Paris and running in three directions – to Amsterdam, Moscow, and Athens – and described these schemes as an integral aspect of “world planning.”¹⁹ Plans were drawn up for electrifying Europe, expanding railway lines and tunnels, and equipping existing lines with automatic couplings.²⁰ In the run-up to the 1933 World Economic Conference, ILO officials, led by the organization's new British director Harold Butler, continued to work on Thomas's plans. The organization was now looking not only to “less advanced countries”²¹ in Eastern Europe, but also to Africa and Asia, where public works and infrastructural development could unlock the “great potential demand” of countries in these regions in order to restore their purchasing power and thus facilitate recovery in industrial countries. Butler called for a program of building up communications, credit, and infrastructure in these countries, and for raising the standard of living of their inhabitants, which would all be pursued in a coordinated way through some kind of “international entente.”²²

At the conference itself, the Indian ILO delegate Atul Chatterjee proposed a resolution calling first for states to finance national schemes of development and public works; second, for capital to be provided to under-developed states in Europe, South America, and Asia for

¹⁹ Ernest Minor Patterson and Albert Thomas, “Forward,” *Annals of American Academy of Political and Social Science* 162 (1932): v-vi.

²⁰ E.J. Phelan, “International Cooperation and Unemployment,” in Wright, ed. *Unemployment as a World Problem*, 242-243.

²¹ International Labour Office. *Public Works Policy. Studies and Reports. Series C (Employment and Unemployment) No. 19* (Geneva: International Labour Office, 1935), 1-3.

²² “Draft. Memorandum submitted by the International Labour Office to the Commission of Experts of the Conference on Monetary and Economic Questions.” ILO XL 6/1/1.

developmental projects likely to raise their national income and have an expansionary effect on the rest of the world; and third, for all these schemes of national development to be internationally coordinated.²³ The League's Committee on Enquiry on Public Works submitted a list of projects to the conference that it had approved for Central and Eastern European states, focusing largely on Poland. American delegates were supportive of these schemes – Herbert Feis had himself proposed similar ones – but they refused to detail how they would be financed. British officials rejected them outright.²⁴ In the run-up to the conference, some British economists working at the Economic Advisory Council had drafted other international reflationary plans: H.D. Henderson and Keynes had called for the BIS, or perhaps a new institution, to print and distribute gold certificates that could be used by states to finance expansionary policies, and thus “awaken the Sleeping Beauty,” as Keynes put it.²⁵

After the collapse of the London conference, planning for international public works slowed, even as similar projects on the national level were put into place in more countries. These were studied closely by ILO officials, with the work of the Chinese National Economic Council considered at length.²⁶ In April 1938, the ILO established a new International Public Works Committee to reignite planning for their internationalization. At the head of this body was the American ILO delegate Carter Goodrich, who would soon come to play an important role in U.S. postwar planning. The aim of this body was, first, to study what public works schemes had been put into place on the national level around the world; second, to strategize how to coordinate these internationally; and third, to plan for how such schemes in debtor states could

²³ International Labour Office, *Unemployment: An International Problem* (1935), 294-295.

²⁴ Patricia Clavin, *Failure of Economic Diplomacy*, 155; James R. Moore, “Sources of New Deal Economic Policy: The International Dimension,” *The Journal of American History* 61.3 (1974): 728-744.

²⁵ John Maynard Keynes, *Collected Writings. Activities 1931-1939. Vol. XXI. World Crises and Policies in Britain and America*. (London: Macmillan, 1983), 215; Howson and Winch, *The Economic Advisory Council*, 114-121.

²⁶ “Public Works Policy. Studies and Reports. Series C (Unemployment.) No. 19 Supplementary Note.” ILO XI 5/1/1.

be financed by rich ones.²⁷ This last proposal, which had first been suggested in a memo for the League's Depression Delegation by Dennis Robertson, aimed to "diffuse over a wider area the direct stimulus afforded to the full utilization of the world's idle resources of plant and labour."²⁸ In addition to various public works programs in different countries, there was also international work to be done – akin to the digging of the Suez and Panama Canals – that would benefit multiple states at once.²⁹ The Committee also addressed the challenge of convincing governments that it was in their interests to pursue international public works during a period of business cycle downturn.³⁰

This was a new direction for the ILO: while the organization had first focused largely on questions about workers' safety, health, and employment, it was now more concerned than ever with the problem of the business cycle.³¹ The move towards public works represented a departure from its earlier "palliative" approach,³² as the ILO began to turn more to diagnosing the underlying economic causes of economic insecurity and away from its earlier focus on international legal measures to "clean up isolated pockets of exploitation."³³ The ILO's International Public Works Committee was now working to mainstream Sun Yat-sen's idea of building up the infrastructure of poor countries to increase demand for industrial goods and thus encourage economic expansion in the developed world. Delaisi and Thomas had put this theory

²⁷ International Public Works Committee. Stenographic Record of the First Sitting. Monday, 27 June 1938. (Morning). ILO U15/1000/1/5/0.

²⁸ International Public Works Committee. Stenographic Record of the First Sitting. Monday, 27 June 1938. (Morning). ILO U15/1000/1/5/0.

²⁹ International Public Works Committee. Record of the first Meeting. Monday 27 June 1938 (Afternoon). ILO U15/1000/1/5/0.

³⁰ International Public Works Committee. Record of the first Meeting. Monday 27 June 1938 (Afternoon). ILO U15/1000/1/5/0.

³¹ International Public Works Committee. Record of the first Meeting. Monday 27 June 1938 (Morning). ILO U15/1000/1/5/0.

³² International Public Works Committee. Record of the first Meeting. Monday 27 June 1938 (Afternoon). ILO U15/1000/1/5/0.

³³ Charles Kindleberger, "Economists in International Organizations," *International Organization* 9.3 (1955): 338-352, at 341.

to work on the European level in the early 1930s. Now, at end of the decade, it was brought back out to the global level. This was a crucial innovation in how development was imagined, and helped to shape postwar planning during the 1940s. Efforts to systematize international public works also brought attention to the question of how to internationalize the kinds of lending and investment practices that could direct capital to poor areas – practices that had first been attempted with the League’s reconstruction work in Austria, Hungary, and China. Various ideas were proposed, including the creation of a new international bank to pool credit from rich countries, on the explicit model of the League’s bailout of Austria,³⁴ and the floating of international loans mediated by the BIS.³⁵ Some called for the creation of an international commission at the League to oversee this work, staffing representatives from the European national economic councils, the ILO, and the BIS.³⁶

III. The League of Nations’s Depression Delegation, 1938-39

The ILO’s work on international public works from the 1930s was one of the major attempts to strategize an international program of economic expansion as solution to the worldwide deflationary crisis.³⁷ The League also addressed this problem. In January 1938, a Delegation for the Study of Means for the Prevention and Mitigation of Economic Depressions was formed at the League of Nations. This body first met in June 1938 during the same week of the inaugural meeting of its sister organization, the ILO’s International Public Works Committee. It brought together members of the Economic Committee, like Frank McDougall and the Finnish

³⁴ Leifur Magnusson, “A Program of International Public Works,” *The Annals of the American Academy of Political and Social Science* 162 (1932): 136-138.

³⁵ International Labour Office. *Public Works Policy*, 112-114; Jens Warming, “International Difficulties Arising Out of the Financing of Public Works During Depression,” *The Economic Journal* 42.166 (1932): 211-224.

³⁶ *Journal of the Monetary and Economic Conference* 30, 14 (1933): 181.

³⁷ On this point, see H.W. Arndt, *Economic Lessons of the Nineteen-Thirties*, 240-241.

financial official Risto Ryti, with those of the Financial Committee, including the British Treasury official Frederick Phillips, later Treasury representative to the US during the war, and the American economist and government official Winfield W. Riefler.³⁸ Riefler had become adviser to Roosevelt's Executive Council in 1933, and was professor at the Institute for Advanced Study at Princeton from 1935 until 1948, as well as member of the NBER and official at the League. In the 1940s, he became an influential voice on postwar planning, and provided a link between the Geneva organizations and the American state, helping to negotiate the transfer of the technical sections to Princeton in 1940.³⁹ Other members of the Delegation included Loveday, Ohlin, Morgenstern, Goodrich, Rasminsky, and the arch-liberal French economist and financial official Jacques Rueff. The stated aim of their group was to build on the research of the EIS and other new theoretical work on the business cycle to plan anti-depression policies and their international harmonization. After their first meeting in June 1938, the Delegation met several times until July 1939 to discuss the national and international aspects of stabilization policies (investment, budgets, credit control, social insurance, consumption) and strategies for recovery (monetary and fiscal policy, wage and price policies), as well as to design a new role for the League in the non-industrial world, drawing up schemes to stabilize the prices of primary products.⁴⁰

Given that the Depression Delegation espoused generally reflationary policies, some have suggested that it was here that League-employed economic experts were won over to a new

³⁸ On the institutional history of the Depression Delegation, see Patricia Clavin, *Securing the World Economy*, 211-230 and "What's in a Living Standard?," 233-248.

³⁹ For a biography of Riefler, see Frank R. Garfield, "Winfield W. Riefler, 1897-1974," *The American Statistician* 28.4 (1974): 159. On his work facilitating the transfer, see telegrams from July 1940 in TNA FO 371/24441.

⁴⁰ "Synthesis of Discussion at First Session on Recovery Policy." November 30th, 1938. LON R4453 10A/33303/32649.

Keynesian form of economic internationalism.⁴¹ There is some truth in this interpretation, though the homogeneity of the views of its members should not be exaggerated: Rueff, for example, was a committed anti-Keynesian throughout his life. The Depression Delegation is better seen not as having undergone a conversion away from classical liberalism to a new kind of internationalist Keynesianism, but instead as racing to improvise a new kind of international economics in the face of what appeared to be the unstoppable growth of the new national economic powers of the state. These had completely disorganized the world economy, as trade restrictions, quotas, and exchange controls were put into place to facilitate national programs of recovery. The work of the Depression Delegation did not reflect a prior conviction of the need for demand-management policies; rather, it was premised on the idea that the new style of national economic governance had to be reconciled with a return to more open economic conditions on the international level. The question was less how to make world order safe *for* welfare than how to make it safe *from* the powers of the expanding states of the industrialized world.⁴² If not properly coordinated, national welfare and anti-depression policies were now seen as leading to further nationalism and, by extension, potentially to war.

Finding a solution to this problem became one of the principal tasks of the new League delegation. The question was how any of the existing international machinery could be repurposed for a task that far exceeded what had ever been attempted before: the international harmonization of expansionary macroeconomic policies, which until then had been pursued on the national level, as a 1939 report by the group put it, in an inconsistent “piece-meal manner...

⁴¹ Louis Pauly, *Who Elected the Bankers?*, 70-71. Some suggestions were strongly Keynesian. See, for example, Delegation on Economic Depressions. Basis of Discussion for Report. First Revision. Part B. Policies Directed Towards Achieving Greater Stability in Total Demand. August 24th, 1939. LON R4454 10A/33303/32649.

⁴² Delegation on Economic Depressions. Basis of Discussion for Report. First Revision. Part B. Policies Directed Towards Achieving Greater Stability in Total Demand. August 24th, 1939. LON R4454 10A/33303/32649; Synthesis of Discussion at First Session on Recovery Policy.” November 30th, 1938. LON R4453 10A/33303/32649.

wherever the shoe happened to pinch first.” Anti-depression policies had so far mostly tackled symptoms and not causes, and were seldom drawn up in line with general strategies to deal with the business cycle. What was worse was that they usually resulted in the kinds of nationalist policies that had done so much to damage the world economy. The pursuit of national economic stability, now the basic commitment of economic policy-makers across the developed world, needed to be reconciled with the League’s long-standing goal of facilitating the “widest possible development of international economic relationships and stability in those relationships.”⁴³ The solution to this problem was to have as many countries as possible commit themselves to expansionary policies at the same time in a synchronized manner. This would impart “maximum possible confidence” to a country that it could pursue these policies without worrying about its balance of payments.⁴⁴

While the Depression Delegation had the duty to try to prevent the pursuit of national reflationary policies that hurt the position of other states, no one could say with certainty what these were, since the transmission of business cycles from one country to another was still not fully understood. At a July 1939 meeting of the Depression Delegation, Morgenstern reminded his colleagues that Haberler’s 1937 *Prosperity and Depression*, the era’s authoritative work on business cycles, had had little to say about this problem.⁴⁵ What was clear was that states had made it a policy to export their unemployment, and that this problem could be solved in only two ways: either through a permanent retreat to autarky or through new efforts of global coordination. According to Ohlin, states naturally inclined towards the kind of economic

⁴³ “Basis of Discussion for Report. Part A. Economic Depressions and Economic Structure.” LON R4453 10A/33303/32649.

⁴⁴ “Report of the Second Committee to the Assembly.” LON OJ SS 185 (1938): 64.

⁴⁵ Delegation on Economic Depressions. July 1939. Verbatim Report. Eighth Meeting. Held at Geneva on Friday, July 7th, 1939, at 3.30 pm. LON R4455/10A/38681/32649.

internationalism they had been forced to abandon by the crisis, when the need to increase their purchasing power had put a major strain on their balance of payments.⁴⁶ The question was what “permanent machinery” could make possible the exchange of data and policy planning this ambitious feat would require. McDougall suggested the League.⁴⁷ The ILO’s Public Works Committee was also a possibility.⁴⁸

Not all were convinced this was necessary. “Because Switzerland, Belgium and Italy, for example, are suffering severely from unemployment,” Frederick Phillips asked, “is it due to the rest of the whole world to lower their monetary rates, even, say, in Peru, which is flourishing extremely at that moment?” Ohlin and Loveday rejected the premise of Phillips’s argument, pointing out that the coordination of expansionary policies need not involve countries that were not facing downturns. While depressions now tended to involve most of the world, cooperation to address them need not be universal. “If we have international cooperation in diseases we do not invite the countries where those diseases do not exist,” Ohlin reminded his colleagues:

Surely, if you have a depression in countries having a different economic structure, they all felt the need for two things: special adjustments and general expansionary measures. But when it comes to these general expansionary measures, if each country is acting alone it will say: “We should like to do this, but we dare not. Our balance of payments does not permit it.” On the other hand, if they act together and get assurances that about 20 countries will at the same time apply general expansionary measures – in one case by lowering the rate of interest, in another case by public works, and in a third country perhaps in other ways – then they can go ahead without taking so much risk about their balance of payments. Would it not be a good thing to achieve, first that they can march more or less in step in the different economic measures adopted by them, and secondly to get consultation between the people who have to act...⁴⁹

⁴⁶ “Report of the Second Committee to the Assembly.” LON OJ SS 185 (1938): 64.

⁴⁷ Delegation on Economic Depressions. Minutes. Dec. 7th, 1938. Sixth Meeting, 3.00 PM. LON R4454/10A/36596/32649.

⁴⁸ Delegation on Economic Depressions. Basis of Discussion for Report. Part A. Economic Depressions and Economic Structure. August 24th, 1939. LON R4453/10A/33303/32649.

⁴⁹ Delegation on Economic Depressions. Minutes. Dec. 8th, 1938. Seventh Meeting, 10.30 AM. LON R4454/10A/36596/32649.

Ohlin backed down from the conclusion to which his suggestions were leading, reassuring the group that “every country must be perfectly free to do exactly what it wants.” Loveday agreed: “I do not think you could have formal agreements” binding a country to specific policies.⁵⁰

But how, then, could this system be made to work?

IV. Three Plans for an Expanding World Economy

The Depression Delegation did not itself revisit this question until 1942 from its new home in Princeton, New Jersey. Its next scheduled meeting in January 1940 was cancelled when Germany invaded Poland in September 1939. The long-term studies of economists at the EIS ceased now as well.⁵¹ The outbreak of war led to a scramble to figure out what to do with the League. In December 1939, the Assembly resolved to maintain its technical services, and in January 1940, a meeting was held at the Hague to decide how this should proceed. American help was needed. In April 1940, the Rockefeller Foundation (on the secret urging of the State Department, and likely with Roosevelt’s personal approval) offered Loveday’s group a grant of \$100,000 to begin research on postwar planning, and in June 1940, the Princeton Institute for Advanced Study invited them to relocate there. In July 1940, after the Vichy regime demanded the resignation of Avenol, who had originally blocked the idea of moving the League to the United States, plans were finalized for the transfer. On August 6, Loveday’s section left Geneva for Portugal on a bus along with the staff of the ILO, en route to its new home in Montreal.⁵²

⁵⁰ Delegation on Economic Depressions. Minutes. Dec. 8th, 1938. Seventh Meeting, 10.30 AM. LON R4454/10A/36596/32649.

⁵¹ Alexander Loveday to Janet Smith. 10 March 1941. TNA FO 371/26661.

⁵² David Ekbladh, “American Asylum: The United States and the Campaign to Transplant the Technical League, 1939–1940,” *Diplomatic History* 39.4 (2015): 629-660, at 636-655; Ludovic Tournès, “The Rockefeller Foundation and the Transition from the League of Nations to the UN (1939–1946),” *Journal of Modern European History* 12.3 (2014): 323-340, at 323-328.

The stories of the League of Nations and ILO in wartime exile have been told several times.⁵³ Recent accounts have stressed the valuable services the organizations, particularly the League, provided to the U.S. state for postwar economic planning, and have overturned earlier assumptions that the League was all but moribund in the 1940s. Its political functions had ceased, to be sure, but the organization carried on its work as a nearly exclusively economic organization until its final dissolution in 1946. These accounts lay particular importance on the role of League publications and personnel in shaping the discussions that culminated in the July 1944 Bretton Woods Agreement, largely through the publications of the EIS.⁵⁴ Loveday's group sought to make itself useful through the provision of studies on commercial policy, raw materials, relief and reconstruction, agriculture, currency, depression and social security, and population.⁵⁵ One particular priority was planning for the depression that was feared would come immediately at war's end, as had happened after the First World War. Anti-depression policy needed to be put at the forefront of any postwar reconstruction scheme.⁵⁶

The League's enormous store of information, particularly its statistics, were thought to be useful for wartime planning – and were important to keep out of fascist hands. In order to get the EIS's cache of data from Geneva, Loveday had all of the organization's 20,000 index cards reproduced using microfilm.⁵⁷ Postal delays across the Atlantic made it difficult to get new information from the staff left in Geneva, particularly as governments were now keeping more of

⁵³ See, above all, Clavin, *Securing the World Economy*, 267-340; Ludovic Tournès, *Les États-Unis et la Société des Nations (1914-1946): Le système international face à l'émergence d'une superpuissance* (Bern: Peter Lang, 2016). For an older systematic overview, see the recently republished thesis of Victor-Yves Ghébali, *Organisation Internationale et Guerre Mondiale: Le cas de la Société des Nations et de l'Organisation internationale du travail pendant la Seconde Guerre mondiale* (Brussels: Bruylant, 2013).

⁵⁴ Clavin, *Securing the World Economy*, 305-340.

⁵⁵ League of Nations. Economic, Financial and Transit Department. Memo. LON C1748.

⁵⁶ Alexander Loveday to Oskar Morgenstern. 3rd October 1940. Oscar Morgenstern Papers. Duke University Library. RL.10033. Box 107.

⁵⁷ League of Nations. 12 April 1941. TNA FO 371/26661.

this information hidden, a situation that had led to what Loveday called a “statistical blackout.”⁵⁸ While in New Jersey, he worked to build up contacts between his group and U.S. non-governmental bodies and the state. Members of the ILO, from their new home at McGill University in Montreal, similarly sought to place their organization at the service of the Allied war effort and postwar planning, and became a valuable source of information for the U.S. state on labor problems around the world.⁵⁹

What has received less attention in accounts of the wartime vocations of the two international organizations is the subsequent career of the institutional plans for international reflationary policies they began to work on just before the outbreak of the war. Discussion on this topic has been treated less than the plans leading directly up to the Bretton Woods Conference, in part, because they do not fit into standard narratives about the course of postwar planning negotiations: namely, that policy debate centered on the need to find a compromise position between the U.S. State Department’s diehard commitment to free trade and the reluctance of British officials to give up imperial preference, which seemed to guarantee the only means of ameliorating Britain’s potentially devastating postwar balance of payments difficulties and making possible domestic full employment policies. The great achievement of Bretton Woods, on these readings, was the cutting of this Gordian knot. But moving focus away from the monetary conversations in the run up to Bretton Woods shows how much broader postwar international economic planning was and how many more individuals and ideas it involved. Three such overlooked, but central, aspects of postwar planning – all of which involved League-

⁵⁸ Alexander Loveday to Cecil Kisch. October 2, 1941. TNA FO 371/26662.

⁵⁹ Sandrine Kott, “Fighting the War or Preparing for Peace? The ILO during the Second World War,” *Journal of Modern European History* 12 (2014): 359–76.

and ILO-affiliated personnel and ideas that they had been working on since the 1930s – need to be brought back to the center of analysis.

The first of these policy proposals was the idea of creating international anti-depression measures and mechanisms to guarantee full employment at the national level, which had first emerged, in large part, out of 1930s discussions on international public works. Around this time, the idea of global full employment became popular among Keynesian-minded economists in Britain, the U.S., and the British Dominions. But how could institutional mechanisms and legal agreements be created to make this possible, and how could powerful states like the U.S. be convinced to sign up to them? Meade was the leading voice on this topic at the League. In a book written in late 1939, he suggested that unemployment, inequality, and general economic insecurity had become the leading economic causes of war, and that, for this reason, the pursuit of expansionary anti-depression policy on the international level would be “one of the chief economic bases of a durable peace.” Any peace settlement to follow the war that had just broken out required the creation of a new “International Organization” to coordinate employment policies, endowed with new ways of binding its member states with unprecedented restrictions of their economic sovereignty.⁶⁰

This was the most difficult challenge with the idea of international full employment policies: while unemployment at the national level was now widely seen as a world problem – since “fluctuations in employment in any economy will often have repercussions upon other economies so far-reaching,” wrote the economist Allan Fisher, “as to entitle them to regard the internal employment policies of other countries as matters directly relevant to the maintenance of

⁶⁰ James Meade, *Economic Basis for a Durable Peace* (Oxford: Oxford University Press, 1940), 9-16.

international equilibrium”⁶¹ – how could one state be given any say over what kinds of macroeconomic policies were enacted by another? National polices increasingly embraced “that field of economic activity,” as the British-Hungarian economist Thomas Balogh described it, “in which appropriate executive action cannot be taken without affecting relations with economic units over which the executive taking the action has not constitutional regulative or coercive power.”⁶² While conditions of employment in one state were directly affected by unemployment in another, the former had no say over how the latter dealt with them. This problem was crucial for small states to address, since they would be disproportionately affected by conditions of employment in the large ones. The former needed strong commitments from the latter to maintain expansionary policies when the war came to an end. It was clear, even before the U.S. entered the war, that the burden for maintaining postwar world employment and demand was going to fall largely on American shoulders. Establishing this new kind of system required, first and foremost, that the U.S. commit to it fully.

The prospect of internationally-coordinated full employment policy was for many what made postwar planning different to how it had been approached during the First World War, when the two options were either Clémentel’s idea of pursuing economic warfare into the peace through the canalization of world trade according to the Allies’ strategic needs, or a return to the gold standard and the Open Door. Even a liberal like J.B. Condliffe insisted in his many writings from the early 1940s that a new postwar settlement required a mechanism to coordinate national employment plans, and thus an entirely new form of international economic cooperation, moving “from the parts to the whole, as well as from the whole to the parts.” Free trade would be the

⁶¹ Allan Fisher, *International Implications of Full Employment in Great Britain* (London & New York, Royal Institute of International Affairs, 1946), 4.

⁶² T. Balogh, “The International Aspects of Full Employment,” in *The Economics of Full Employment: Six Studies in Applied Economics Prepared at the Oxford University Institute of Statistics* (Oxford: Basil Blackwell, 1944).

result, not the means, towards national stability: “national economic policies are the center of interest,” Condliffe wrote, “The main front of international action is the home front.” Condliffe was fond of mechanical metaphors to describe what this would look like: “the international approach must assume national policies and national economic activity that gears into and is cleared through the international machinery.”⁶³ Metaphors of the machine were replacing metaphors of the organism.

The second major policy proposal of the late 1930s that shaped postwar planning called for ambitious new schemes of economic development in poor countries and colonies, which were modeled, in large part, on the international public works proposals of the mid-1930s. These have been overlooked in the literature on the history of development, which largely avoids discussion of the development ideas of the interwar period, outside of direct colonial contexts, and downplays the centrality of development to postwar planning and to the elaboration of blueprints for new international organizations. As had been the case with international public works plans during the 1930s, the vision of development that became so popular in the early 1940s was premised on Sun Yat-sen’s idea of building up poor countries to help maintain demand for the goods of rich countries in order to stabilize employment in the latter. Contemporaries drew this connection explicitly. Starting their life as “antidepression policy,” as Carter Goodrich put it, international public works transformed during the war into plans for “the development of the resources of hitherto underdeveloped regions or of regions in which economic life needs to be rebuilt after the devastation of war.”⁶⁴ The U.S. economist Lewis Lorwin, whom Harold Butler hired in 1934 as chief of the Economic Section of the ILO on the basis of Lorwin’s knowledge of

⁶³ J.B. Condliffe and A. Stevenson, *The Common Interest in International Economic Organisation* (Montreal: International Labour Office, 1944).

⁶⁴ Quoted in Lewis Lorwin, *International Economic Development: Public Works and Other Problems* (Washington, D.C.: U.S. Government Offprint, 1942), 5.

Soviet planning (and who represented the ILO at meetings of the League's Economic Committee),⁶⁵ laid out an exemplary scheme along these lines for transforming international public works into development programs for poor countries, financed along the model of the League loans to Austria and American loans to Germany. While plans for international public works from the 1930s had been interrupted by the outbreak of war, he wrote, the Nazis and its satellite states were still doing valuable work, including the construction of the Trans-Sahara Railroad, linking the Mediterranean through Algeria to the Niger Delta, which was intended to be the first link in a new transportation system connecting Germany to South Africa, via the Congo, to open up the Central African market to German exploitation. Other models came from the League's work on Chinese economic reconstruction during the early 1930s, American technical assistance to Latin America, and the public works projects attending the League's refugee resettlement schemes of the 1920s and 1930s. Countercyclical international public works in poor countries like these, Lorwin argued, could provide a powerful means of guaranteeing postwar employment in the industrialized world.⁶⁶

This idea, in its basic form, had crucial precedents in the colonial development schemes of the European empires. The prospect of improving the productive capacity of the colonies for the sake of the economic health of the metropole was, of course, as old as colonialism itself. The nineteenth century had seen many schemes for colonial infrastructural development based on the idea this would facilitate the exploitation of the resources and productive capacity of overseas territories for the benefit of imperial trade. In Britain, this idea was promoted at the turn of the twentieth century by Joseph Chamberlain, who argued that metropolitan employment depended

⁶⁵ Lewis Lorwin to Harold Butler. January 7, 1935; "Report of Work, 1935-1939." Lewis L. Lorwin Papers. Box 5. RBMLCU.

⁶⁶ *Ibid.*, 84.

on colonial economic expansion. The French Minister of Colonies Albert Sarraut made a similar argument with his “mise en valeur” approach to colonial development from the 1920s. Schemes like Sarraut’s tended to be described in terms of a general neo-mercantilist conception of the relation between the colony and the metropole, in which the colonies were to provide resources for metropolitan production and markets for metropolitan goods. They also tended to be poorly funded and only ever partially realized. Support for these plans was weakened by the assumption that colonies should be financially self-supporting, by fears that economic modernization would cause social disorder among native populations, and, above all else, by tight budgets at home. In Britain, unemployment caused by the crisis of 1920-1 led to arguments that colonial development could encourage British exports and thus put people back to work – or at least encourage their overseas migration. But fiscal austerity left little money available to put these plans into action. The persistence of unemployment at the center of domestic political contestation into the late 1920s led to the Colonial Development Act of 1929, which was designed to facilitate infrastructural development, public health improvement, and the expansion of primary production across the British Empire in order to solve the employment problem at home. But in the late 1930s, colonial development turned more to the aim of expanding the productive capacity of the colonies and promoting higher standards of living, better nutrition, and social welfare as a way of tamping down nationalist resistance and demonstrating to an increasingly critical international opinion that colonial policy could perform humanitarian functions. There was a marked shift away from justifications for colonial development in terms of its benefits to the metropolitan economy. As it evolved from this point, colonial development evolved against the backdrop of a deepening crisis of legitimacy for the European empires. After

1945, development programs were seen as way of keeping a foothold in territories that could no longer be so closely ruled.⁶⁷

The vision of development that became popular in late 1930s and early 1940s was different from these ideas. First and most obviously, it did not only involve colonial territories, but also sovereign states like China as well as countries in Latin America, Eastern Europe, and the Balkans. Second, it called not only for infrastructural development, but also for national industrialization. During debate in 1929 over the British Colonial Development Act, the idea of industrializing colonies was described as something to avoid. This was also the case in France.⁶⁸

In the 1930s, many worried that the industrialization of agricultural countries, particularly in East and South Asia, would lead to their goods crowding out markets for goods produced in the West.⁶⁹ The new argument was that expanding industrial development abroad would increase everyone's purchasing power and thus provide a major stimulus to Western exports. Third, development was now seen as something that needed to be directed by some kind of international agency and not by colonial or foreign offices. Even if this agency was dominated by Britain or the U.S., it had to appear as though it were not simply an imperial arrangement. In the case of development loans, it was important to create truly international mechanisms of lending –

⁶⁷ Ian M. Drummond, *Imperial Economic Policy 1917-1939: Studies in Expansion and Protection* (London: George Allen & Unwin, 1974); Stephen Constantine, *The Making of British Colonial Development Policy 1914-1940* (London: Frank Cass and Company, 1984); H.W. Arndt, *Economic Development*, 22-29; Michael Havinden and David Meredith, *Colonialism and Development: Britain and its Tropical Colonies, 1850-1960* (London: Routledge, 1993), 70-234; Frederick Cooper, "Modernizing Bureaucrats, Backward Africans, and the Development Concept," in Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences* (Berkeley: University of California Press, 1997), 64-92; "Frederick Cooper and Randall Packard, "Introduction," in Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences*, 1-41; Gary Wilder, *The French Imperial Nation-State: Negritude and Colonial Humanism Between the Two World Wars* (Chicago: University of Chicago Press, 2005), 81-98; Joseph Morgan Hodge, *Triumph of the Expert: Agrarian Doctrines of Development and the Legacies of British Colonialism* (Athens, OH: Ohio University Press, 2007); Martin Thomas, "French Empire Elites and the Politics of Economic Obligation in the Interwar Years," *Historical Journal* 52.4 (2009): 989-1016; Pedersen, *The Guardians*, 233-260.

⁶⁸ Constantine, *The Making of British Colonial Development Policy*, 286.

⁶⁹ For this view, see, for example, G.E. Hubbard, *Eastern Industrialization and its Effect on the West* (London: Oxford University Press, 1938). On these fears, see also Arndt, *Economic Development*, 34.

like those developed for Austria and planned for China – in order to make this a less explosive political problem than it had been in the past. Fourth, development of “backward areas” was now seen not just in terms of what it did to provide markets for metropolitan goods or primary products for metropolitan industrial production, but also in terms of its importance for the expansion of the national macro-economies of these “backward areas” and the growth of their national income.⁷⁰ This growth would help keep demand perpetually expanding for the goods of industrial countries, as well as keeping these “backwards areas” from falling prey to the appeal of Bolshevism and now Nazism. Colonial development was, of course, a principal source of ideas, practices, and personnel for later international schemes.⁷¹ But the question of how to internationalize these techniques was itself a major problem to be solved. The League’s work in Austria and China provided models for how to do so.

In addition to European schemes for international public works, the other important 1930s model for an intergovernmental development agency came from the plans drawn up at the end of the decade for an Inter-American Bank (IAB), which provided a crucial precedent for the designs of the World Bank and IMF. This institution was designed to provide long-term loans for productive investment in Latin American countries as part of the “Good Neighbor” policy, though it was rejected by Congress and never established.⁷² The ILO provided another source of ideas and models. Butler was in particular committed to the idea that “the closing of the economic gap between East and West,” as he put it in 1938, “is indeed one of the greater problems of the present time.” This was true not simply because business cycle downturns in industrial countries now clearly had disastrous effects on poor ones – with unstable prices for

⁷⁰ On this point, see also Timothy Mitchell, “Economentality,” 497-507.

⁷¹ See, for example, Joseph Hodge, “British Colonial Expertise, Post-Colonial Careerism and the Early History of International Development,” *Journal of Modern European History* 8.1 (2010): 24-46.

⁷² Eric Helleiner, *Forgotten Foundations of Bretton Woods*, 72-78.

goods like tin, rubber, and tea leading to major unemployment in plantations and mines in Malaya, Sumatra, and Ceylon – but also because rising standards of living in Asia would help raise demand for Western goods.⁷³ The prospects for China’s industrialization, above all else, were seen as crucial for the West’s economic future. With fewer opportunities now for investment in new domestic industries and overseas colonies, China represented an important frontier for American capital. The 1933 loan overseen by Monnet’s Reconstruction Finance Corporation was taken as a model for how to manage these investments. The consuming power unleashed in the eighteenth century by the emancipation of the serfs, which had driven forward Europe’s industrial revolution, could be replicated now on a far larger scale, it was argued, with China’s industrialization.⁷⁴

One particularly influential backer of these ideas was the U.S. economist Eugene Staley, a Chicago-trained professor at Tufts University, who had spent 1934-35 at the Graduate Institute in Geneva run by William Rappard, and who had close ties to the ILO. Staley was one of the leading voices for putting international development on the agenda of the American state in the late 1930s and early 1940s.⁷⁵ He insisted that the traditional measures that had guaranteed economic expansion in the past, such as the settlement of new lands or continuously expanding population growth, were no longer sufficient. Investment of American dollars abroad could help fill this gap, and would help ameliorate the inevitable depression that would come at the end of the war.⁷⁶ In the U.S., plans like Staley’s ultimately came to be seen in line with a process of internationalizing the domestic institutions of the New Deal state, such as the T.V.A and the

⁷³ Harold Butler, *Problems of Industry in the East: With Special Reference to India, French India, Ceylon, Malaya and the Netherlands Indies* (Geneva: International Labour office, 1938), 68-74.

⁷⁴ Philip J. Jaffe, “Discussion of a Plan for an American Loan to Industrialize China,” *Amerasia: A Monthly Analysis of America and Asia* (1938): 327-335.

⁷⁵ Arndt, *Economic Development*, 45-46.

⁷⁶ Eugene Staley, *World Economic Development: Effects on Advanced Industrial Countries* (Montreal: International Labour Office, 1944).

Reconstruction Finance Corporation (RFC), in order to save the New Deal at home. Sun Yat-sen's vision of public works and infrastructural development abroad to boost production at home had become mainstream among policy-makers in the world's most powerful state.⁷⁷

In an influential 1935 book, Staley had laid out a scheme for promoting international investment in ways that would generate less friction than it had in decades before. It was necessary to "denationalize" capital investment abroad by removing it from government hands and by placing it under "mondial" supervision at a "World Investment Commission." Schemes like Staley's for the creation of a multi-national investment authority, originally modeled on the League loans to Austria and elsewhere from the 1920s, became popular in the early 1940s.⁷⁸ What his writings on development from the early 1940s shared with other influential contemporary accounts was the idea that a "strong rise in world income" would bring up industrial and underdeveloped countries at the same time, with newly industrialized countries demanding more and more manufactures, particularly capital goods, from "older industrial countries" like Britain. International investments for the sake of industrialization in these countries could potentially turn a profit, or at least offer a cheap means of guaranteeing greater world economic stability in the future.⁷⁹

The third proposal for an expansionary world economy called for a mechanism to stabilize the prices of raw materials and primary agricultural commodities on international markets. The experience of the Depression, when worldwide prices of most major commodities had plummeted, led to widespread calls in the late 1930s and early 1940s for the creation of a

⁷⁷ David Ekbladh, *Great American Mission*, 63-69.

⁷⁸ Eugene Staley, *War and the Private Investor* (Garden City: Doubleday, Doran & Company, Inc., 1935): 493-510 and *Raw Materials in Peace and War* (New York: Council on Foreign Relations, 1937), 230-33.

⁷⁹ K. Mandelbaum, *The Industrialisation of Backward Areas* (Oxford: Basil Blackwell, 1945), 17; League of Nations (Folke Hilgert), *Industrialization and Foreign Trade* (Geneva: League of Nations, 1945), 77-79; P.N. Rosenstein-Rodan, "The International Development of Economically Backward Areas," *International Affairs* 20.2 (1944): 157-165.

“buffer stock agency” to buy up raw materials and primary agricultural goods during a depression once a certain lower limit of prices was reached, store them until prices rose to an upper limit, and then resell them. The aim of this mechanism was to prevent large fluctuations in the prices of these goods in order stabilize the economic systems of primary producing and debtor countries, maintain their demand for the exports of the rich countries, and thus smooth out business cycles and slow their international transmission. There now appeared to be a direct connection between falling commodity prices in primary producing countries and unemployment in industrial ones. Until recently, the problem of raw materials had largely been seen as a territorial matter, with access to vital goods determining whether a state was peaceful or expansionist and with the uneven distribution of natural resources around the world the principal source of a state’s “have” or “have-not” status. Now, the question of commodities and their control was seen much more as a “part of the basic structure of world economics,” as the French economist André Istel put it, directly shaping how demand, prices, production, and employment were shaped across the world.⁸⁰

The idea of using some kind of intergovernmental agreement to control the prices of primary commodities dated back to the turn of the twentieth century, with the International Sugar Convention called in 1902 to help sugar producers keep pace with cheap imports from the West Indies when tariffs were no longer sufficient to hold up prices.⁸¹ The interwar years saw the growth of powerful private cartels and various intergovernmental commodity controls on goods such as beef, tea, rubber, and tin. Some viewed the emergence of these institutions as providing a model for future world economic administration, even if many had originally been designed

⁸⁰ André Istel, “‘Equal Access’ to Raw Materials,” *Foreign Affairs* (April 1942): 450-465.

⁸¹ Frank Trentmann, *Free Trade Nation*, 154-161.

simply to protect the profits of certain producers.⁸² One of the most important innovations along these lines came from the U.S., when the creation of an “Ever-normal Granary” to stabilize the prices of raw materials and agricultural goods was proposed as part of a suite of New Deal reforms. The term, taken from Chinese, was coined by U.S. Secretary of Agriculture Henry Wallace.⁸³ Plans for this institution had emerged out of the simple idea of storing up crops during times of surplus so they would be available in the case of a failed harvest, and was most prominently advocated by Wallace, who made the creation of a worldwide “Ever-Normal Granary” one of his central wartime causes. In 1938, Keynes laid out influential blueprints for the creation of a commodity agency for the British Empire along the lines suggested by Wallace,⁸⁴ and in 1939, the Depression Delegation at the League of Nations took up the problem as well.⁸⁵ In the 1940s, calls for the creation of an international buffer stock agency were common to most postwar plans, and had a legacy long after the war finished.⁸⁶ Price stabilization for primary goods remained a popular idea among representatives of Third World states at the UN throughout the Cold War looking to improve their terms of trade, and formed one of the principal demands of the NIEO movement of the 1970s.⁸⁷

Taken together, this new suite of expansionary international policies implied a vision of a world economic system as being more closely integrated than most had assumed before – across

⁸² Eugene Staley, *World Economy in Transition* (New York: Council on Foreign Relations, 1939), 146-147.

⁸³ Joseph Davis, “The Economics of the Ever-Normal Granary,” *Journal of Farm Economics* 20.1 (1938): 8-21; Benjamin Graham, *Storage and Stability: A Modern Ever-normal Granary* (New York: McGraw-Hill, 1937).

⁸⁴ John Maynard Keynes, “The Policy of Government Storage of Foodstuffs and Raw Materials,” *Economic Journal* 48 (1938): 449-460.

⁸⁵ Delegation on Economic Depressions. Basis of Discussion for Report. Part D. Policies especially relevant to States producing Primary Products.” August 24th, 1939. LON R4454/10A/33303/32649.

⁸⁶ See also Winfield Riefler, “A Proposal for an International Buffer-Stock Agency,” *Journal of Political Economy* 54.6 (1946): 538-546; P. Lamartine Yates, *Commodity Control: A Study of Primary Products* (London: J. Cape, 1943).

⁸⁷ Some influential schemes from American economists included Benjamin Graham’s *World Commodities and World Currency* (New York: McGraw-Hill, 1944) and the follow-up report by the Food Research Institute at Stanford University: M.K. Bennett and Associates, *International Commodity Stockpiling as an Economic Stabilizer* (Stanford: Stanford University Press, 1947). On the NIEO, see special issue of *Humanity* 6.1 (2015).

all previously taken-for-granted borders of territory, sovereignty, and race. This world was now seen as a single system, capable of being managed, stabilized, and expanded as a totality through a discrete set of policies, overseen by a new and overarching world administration. Lorwin called the aim of these policies, taken together, as “balanced expansionism:”

The objective of international public works and development policies is to help reduce industrial fluctuations and to stabilize output and employment. By stabilization is meant not the freezing of existing conditions, but industrial growth at an even pace... The phrase [“balanced expansionism”] does not mean that all countries may not vary their rate of growth according to circumstance. But it does mean an attempt to maintain rates of development of different parts of an economy and among different national economies in accordance with technical and economic possibilities. International public works and development projects... can be devised in such a way as to stimulate demand for consumers’ goods in some countries and for producers’ goods in others, and to program the development of raw materials, means of communication, power resources and industries, with proper regard to the trade relations of different countries. They may be made the pivot for a general development program which would connect the economies of all countries in such a way as to help them move forward together at a reasonably steady pace. They represent, in brief, one of the new devices for maintaining international economic equilibrium, on the basis of high levels of living and of employment everywhere.⁸⁸

This was a call for managing the world economy analogous to how the national economy was only then, under the pressure of depression and war, itself coming to be managed. Lorwin made this point explicitly in his writings, calling for a “World New Deal” to extend the governing principles of the American administrative state to the world at large.⁸⁹ Staley similarly described the new international economic organization needed to take charge of a “world development program” and commodity control as analogous to a kind of global federal order.⁹⁰

V. The Beginning of Postwar Planning, 1939-41

⁸⁸ Lorwin, *International Economic Development*, 88.

⁸⁹ Lewis Lorwin, *Economic Consequences of the Second World War* (New York: Random House, 1941), 484-502.

⁹⁰ Staley, *World Economy in Transition*, 300-313.

These ideas first entered wartime discussions in the U.S. in late 1939 during a period of expansive and imaginative planning for a future world order. The first years of the war saw the relocation of many European experts and international officials to the U.S., as well as efforts on their part to tighten professional bonds with American officials and economists. The networks of international economic experts that had emerged in the 1920s and 1930s, centered on Geneva, now shifted their center of gravity to the U.S., and many of the American experts who had played important roles in these networks were put in charge of planning in the U.S. It is no surprise, then, that the earliest postwar planning in the U.S. took up ideas that had emerged within these European networks and had been framed by major interwar projects like the financial reconstruction of Austria, the development of China, and international public works in Central and Eastern Europe.

U.S. postwar planning at the State Department began immediately after the German invasion of Poland in September 1939 under the Russian-born economic expert Leo Pasvolsky, who had worked as assistant to Secretary of State Cordell Hull since 1936 and who had close and long-standing ties with these European networks of economic experts. Pasvolsky had worked at or advised the League's Economic Committee and the International Chamber of Commerce, and had attended meetings of business cycle experts at the League. In 1937, he had travelled across Europe to strategize a major collaborative program of research on international economic problems,⁹¹ and in 1938-39, was the principal American liaison for the program of reform at the League headed by Stanley Bruce.⁹² At the State Department, Pasvolsky became a loyal advocate of Hull's Cobdenite mission, but was more creative in thinking about how to fulfill it than some of his contemporaries acknowledged, focusing, for example, on the importance of international

⁹¹ Neil De Marchi, "League of Nations Economists," 152

⁹² Clavin, *Securing the World Economy*, 234.

development.⁹³ (Keynes criticized Pasvolsky for sleeping through the preceding twenty years like “Rip Van Winkle,” and thus remaining wedded to laissez-faire unlike other economists shaping U.S. policy like Alvin Hansen and Jacob Viner.)⁹⁴ This is not to say that Pasvolsky was not suspicious of British welfarism: in the early summer of 1941, he warned Hull that the British Labour Party had been captured by Harold Laski’s idea of treating the entire world as a “single economic unit” to be rebuilt through international socialist planning.⁹⁵

On September 12, 1939, two leading members of the Council on Foreign Relations (CFR) in New York City proposed to the U.S. Assistant Secretary of State George Messersmith that the organization work as an appendage of the State Department. In December, Hull and Under Secretary of State Sumner Welles agreed to the CFR proposal, and in December, a War and Peace Studies group (WPS), funded by the Rockefeller Foundation, was established at CFR. Over the next few years, the WPS group flooded the State Department with hundreds of policy proposals, several of which crucially shaped U.S. postwar planning.⁹⁶ In charge of the group’s economic and financial research were the influential American economists Alvin Hansen, the leading Keynesian in the U.S., and Jacob Viner, perhaps the most innovative American international economic expert of his generation. After moving to Harvard University from the University of Minnesota in 1938, Hansen joined a number of Keynesian economists going to work for the state in the late 1930s, and became one of the principal experts pushing for the adoption of specifically Keynesian economic policies into the New Deal policy apparatus. In 1940, he moved to the Board of Governors of the Federal Reserve and also served on the

⁹³ “Postwar Problems. Plan of Work.” Pasvolsky Papers. Box 7. LOC.

⁹⁴ John Maynard Keynes, *Collected Writings. Volume XXVI. Activities 1941-1946. Shaping the Post-War World. Bretton Woods and Reparations* (London: Macmillan, 1980), 239-240.

⁹⁵ Leo Pasvolsky to Cordell Hull. June 7, 1941. Pasvolsky Papers. Box 7. LOC.

⁹⁶ Harley Notter, *Postwar Foreign Policy Preparation 1939-45* (Washington, D.C.: U.S. Department of State, 1949), 19.

National Resource Planning Board.⁹⁷ Throughout the 1930s, Hansen maintained connections to European institutions, like the League and Rappard's Graduate Center, and in 1936, took part in the Rockefeller-sponsored meeting of business cycle researchers in Annecy. He was the leading voice in the U.S. for policies designed to expand world demand and purchasing power, which he saw as the international analog to new anti-depression measures on the national level.⁹⁸ The Canadian-born Viner had studied at Harvard under Taussig, and became professor of economics at the University of Chicago in 1916. He taught at the Graduate Center in Geneva in 1930-1 and 1933-4. Viner had close ties to leading European economists, including Ohlin, Morgenstern, Haberler, and Harrod. In 1934, he became special assistant to Morgenthau, Jr., director of the U.S. Treasury, where he would work on the Tripartite Agreement of the 1936 and the Bretton Woods Agreement of 1944.⁹⁹ Like Hansen and Viner, several of the other members of the WPS group, such as Winfield Riefler and Eugene Staley, had close ties to research organizations in Geneva and to the League and ILO. Loveday came to some of the group's meetings as well.¹⁰⁰

The work of the WPS group began as planning for a postwar settlement at the State Department was undergoing rapid changes. In December 1939, Hull set up a special committee on postwar problems chaired by Sumner Welles, which staffed officials such as Pasvolsky and the legal scholar and government official Adolf Berle. In January 1940, a Subcommittee on

⁹⁷ For biographical overviews of Hansen and Viner, see James Tobin, "Hansen and Public Policy," *The Quarterly Journal of Economics* 90.1 (1976): 32-37; Arthur I. Bloomfield, "On the Centenary of Jacob Viner's Birth: A Retrospective View of the Man and His Work," *Journal of Economic Literature* 30.4 (1992): 2052-2085.

⁹⁸ For an explicit statement of this view, see Alvin Hansen, "A General View of the Institutional Effects of the War," *The American Economic Review* 32.1 (1942): 351-359, at 357.

⁹⁹ Sebastiano Nerozzi, "From the Great Depression to Bretton Woods: Jacob Viner and international monetary stabilization (1930-1945)," *The European Journal of the History of Economic Thought* 18.1 (2011): 55-84.

¹⁰⁰ The most thorough account of its economic work is Sebastiano Nerozzi, "Building up a Multilateral Strategy for the United States: Alvin Hansen, Jacob Viner, and the Council on Foreign Relations (1939-1945)," in Robert Leeson, ed., *American Power and Policy* (New York: Palgrave Macmillan, 2009), 24-68. See also Laurence H. Shoup and William Minter, *Imperial Brain Trust: The Council on Foreign Relations and United States Foreign Policy* (New York: Monthly Review Press, 1977), 117-187; G. William Domhoff, "The Council on Foreign Relations and the Grand Area: Case Studies on the Origins of the IMF and the Vietnam War," *Class, Race and Corporate Power* 2.1 (2014): 1-41.

Economic Problems began preparations for an international conference of the neutrals to agree on plans for a postwar economic settlement. In late 1939 and early 1940, State Department officials hoped to reach a coordinated settlement with the European belligerents. Welles was sent in early 1940 on an ill-fated mission to Europe to discuss plans for a postwar economic order with European heads of state, including Mussolini and Hitler, but Nazi victories in May caused American postwar planning to change course. A new group was established that month bringing together experts and officials from the departments of State, Treasury, Commerce, and Agriculture.¹⁰¹ Discussion now turned on what the U.S. should do in the case of a decisive German victory in Europe, with most plans focused on the creation of a closed-off Western Hemispheric economic bloc as counterpart to a Nazi dominated European *Grossraum*.¹⁰²

The early work of Hansen and Viner's group at CFR was to offer an alternative vision of an Anglo-American regional bloc that extended beyond the Western Hemisphere to include Asian states in possession of strategic raw materials.¹⁰³ If Britain were lost, union with the United States could be offered to Canada and Australia, perhaps in the form of statehood, assuming that the British Navy – necessary to defend Australia – defected to the U.S. Europe would be “written off” as an area of U.S. strategic concern, and focus moved to Latin America, China, and other parts of Asia.¹⁰⁴ In the spring and summer of 1941, as the immediate threat of British defeat receded, attention at the WPS group turned to broader questions of a postwar

¹⁰¹ Notter, *Postwar Foreign Policy Preparation*, 18-40, 453-461; Patrick J. Hearden, *Architects of Globalism: Building a New World Order During World War II* (Fayetteville: University of Arkansas Press, 2002), 11-38.

¹⁰² “The German Postwar World;” “Plan for War-time United States Foreign Trade Policy with the American Republics;” “Economic Implications for the United States of a German Victory.” Pasvolsky Papers. Box 1. U.S. National Archives and Records Administration (hereafter, NARA). College Park, United States; “Possible Arrangements which Germany Might Make in the Event of a German Victory.” Pasvolsky Papers. Box 2. NARA.

¹⁰³ Council on Foreign Relations. *Studies of American Interests in the War and the Peace* (hereafter, CFR WPS). Memorandum of Discussions. Fourteenth Meeting. March 15, 1941. W-191-E-A14.

¹⁰⁴ On these questions, see also Jacob Viner, “International Economic Relations and the World Order,” in Walter H.C. Laves, ed., *The Foundations of a More Stable World Order* (Chicago: University of Chicago Press, 1941), 35-73.

international economic settlement and away from the problems of territorial partition that had dominated discussions in 1940. At the center of these plans were the three policy ideas that had been developed in the 1930s: for international measures to control the business cycle and promote full employment, international economic development, and primary commodity price stabilization.

The problem of international development was of particular importance to the WPS group, and discussion at many of its early meetings focused on the creation of mechanisms to restart the flow of capital to “backward areas.” Hansen suggested an International Reconstruction Finance Corporation, modeled on the New Deal institution set up in 1932, to assume the risk for lending to areas where private funds were unlikely to be sent. This program of international lending would allow for the international coordination of expansionary policies to “encompass the entire world,” with the development of “backward areas” reinforcing domestic schemes of expansion in industrial countries.¹⁰⁵ Other institutions that provided a model were the Intra-American Bank and the BIS, though the literature on the latter was still “largely Utopian.”¹⁰⁶ In the case of Europe, a program of development was necessary to facilitate economic penetration of the continent and to prevent it from becoming a completely closed off economic bloc the Nazis could exploit. Hansen and Loveday called for the creation of several regional Zollvereine – in the Danubian basin, for example – and for a major program of industrialization in Europe’s poor countries, designed to facilitate the most important policy for the “future world economy:” full employment.¹⁰⁷

¹⁰⁵ Hansen, “A General View of the Institutional Effects of the War,” 359.

¹⁰⁶ CFR WPS. Memorandum of Discussions. Fifteenth Meeting. April 12, 1941. W-192-E-A15.

¹⁰⁷ CFR WPS. Memorandum of Discussions. Sixteenth Meeting. May 17, 1941. W-193-E-A16.

In the summer of 1941, a memorandum on economic war aims, approved by Pasvolsky, suggested that postwar planning be guided by two principles: the “full use of the world’s resources – implying employment and a reduction in business cycle fluctuations,” and the “efficient use” of these resources according to the laws of comparative advantage. Most important were international anti-depression policies, followed by monetary stabilization modeled on the Tripartite Agreement, and new forms of international lending for the postwar development of Latin America, Eastern Europe, and Asia, overseen by an international RFC. The work of the ILO and the Economic and Financial Section of the League of Nations was to be continued.¹⁰⁸ Another list of policies from that summer indicated that the internationalization of anti-depression measures and development in China, Latin America, Africa were among the top priorities for discussion.¹⁰⁹

By this point, ad hoc and informal conversations between U.S. postwar planners and their British counterparts had begun, and Pasvolsky was secretly transmitting the WPS policy memoranda to British officials.¹¹⁰ Planning in London for a postwar international economic order began in the summer of 1940 with the appointment of Arthur Greenwood to the head of a special War Aims Committee of the Cabinet, and with the arrival of Keynes in June 1940 to his post as a special adviser to Chancellor Kingsley Wood. From the Treasury, Keynes worked in the summer of 1940 on developing an alternative to the postwar economic designs of Walter Funk, Nazi Minister of Economic Affairs and president of the Reichsbank, for a European “New Order,” based on a continental clearing union with fixed exchange rates and bilateral

¹⁰⁸ CFR WPS. Memorandum on: “Economic War Aims: Main Lines of Approach, Preliminary Statement.” June 22, 1941. W-279-E-B36.

¹⁰⁹ CFR WPS. Memorandum of Discussions. Seventeenth Meeting. June 14, 1941. W-194-E-A17. Appendix B. “Questions of Postwar Economics.” June 11, 1941.

¹¹⁰ Telegram. Dec. 31, 1940. TNA T 230/93.

arrangements with non-European states. In January 1941, a new Economic Section was established at the War Cabinet that brought leading British economists into the service of the state, including Lionel Robbins from the LSE (who directed the body), Roy Harrod from Oxford, and Meade, who had fled Geneva in 1940. Due to Churchill's general lack of interest in postwar planning, these experts were given considerable latitude to plan ambitious and theoretically sophisticated plans. In 1941, the Treasury took the lead on postwar planning, focusing largely on monetary questions, though the Economic Section, Board of Trade, and Bank of England continued to play a role in this as well.¹¹¹

The meetings of the WPS group provided a platform for some of the earliest U.S.-British wartime expert exchanges. In September 1941, the organization held a joint meeting with members of the Royal Institute of International Affairs in Washington on the shape of the new world order. British experts worried about the country's postwar balance of payments and imperial preference, while the Americans suggested multilateral solutions, though not extremely laissez-faire ones. Discussion focused on the question of how to convince the British to sign up to a system of multilateral trade. Riefler suggested that Britain's postwar balance of payments and commercial problems could be solved only by a combination of commodity price stabilization and investment in "underdeveloped areas," and Viner insisted that the country had "more to gain, in the long run, from the prosperity of the raw material producing areas of the world than from their poverty."¹¹² Against the view that it was "Utopian" to think full employment policies could be coordinated, some insisted on preparing for joint action. Viner and

¹¹¹ Robert Skidelsky, *John Maynard Keynes: Fighting for Britain, 1937-1946* (London: Macmillan 2000), 137-149; Alec Cairncross, *The Economic Section*; L.S. Pressnell, *External Economic Policy Since the War: Volume I. The Post-War Financial Settlement* (London: Her Majesty's Stationary Office, 1986), 67-68.

¹¹² CFR WPS. Memorandum of Discussions. Seventeenth Meeting. June 14, 1941. W-194-E-A17. Appendix B. "Questions of Postwar Economics." June 11, 1941.

Riefler suggested the creation of an international board to facilitate the exchange of data this required, while Staley insisted that the future of the Anglo-American partnership would be decided by how they approached international anti-depression policy. He proposed a manifesto committing both governments to full employment policies, which would have the added benefit, if framed in global terms, of providing useful propaganda against the Nazis.¹¹³

In October 1941, Riefler offered a proposal for an International Development Authority (IDA) to guarantee investments in underdeveloped regions and to oversee development projects in mining, manufacturing, agriculture, utilities, and industry. This was a crucial prelude to Harry Dexter White's later plans for the International Bank for Reconstruction and Development. According to this plan, equity investment would be used for the development of poor states and postwar Europe. Publicity for these plans would provide a clear commitment to the aims of the Atlantic Charter and thus "make the Eight Points talk." Riefler justified the IDA using the same terms that League officials had when explained the need for financial control in Austria: by virtue of being a multinational institution, the IDA would depoliticize international lending and reassure debtor states that creditors could not call gunboats to their service. The promise of this new organization, as one WPS member put it, is that it would "almost institutionalize the Calvo clause." Staley had grander visions for Riefler's plan: he suggested that the IDA be used to improve standards of living everywhere. This would require statistical reckoning of unprecedented and likely unrealizable scope and ambition, measuring how development would shift demand and consumption everywhere. Staley called for the "study of budgets at different income levels, for instance, [giving] some idea of what a people such as the Chinese is likely to want when it has more money with which to buy things."¹¹⁴

¹¹³ CFR WPS. Twentieth Meeting. September 20, 1941. W-197-E-A20.

¹¹⁴ CFR WPS. Memorandum of Discussions. Twenty-first Meeting. October 11, 1941. W-198-E-A21.

Throughout the war, Hansen led the way in thinking of how to combine expansionary functions into a coherent postwar policy overseen by three new international institutions – one for monetary stabilization, one for international investment, and one to regulate the prices of primary goods.¹¹⁵ His publications from the first half of the 1940s emphasized the need for the international coordination of full employment policies, an International Commodity Corporation, and an International Development and Investment Bank. A “world resources survey” would provide the data for the “dozen great development projects” to be started after the war, focusing on the modernization of Danubian agriculture, the development of the Amazon Valley, and the damming of the Yangtze.¹¹⁶ The other two major aims of the postwar settlement, monetary stabilization and a return to free trade, would be planned with the larger project of global expansion overseen by an International Economic Board in mind. Without managed expansion, a return to free trade and stable currencies would be impossible.¹¹⁷ Preventing depressions was the “acid test” of international cooperation; also crucial were measures for world-wide public works and the international oversight of colonial development.¹¹⁸ Taken together, these were all necessary to keep the New Deal alive at home and to protect American strategic interests abroad.

A November 1941 WPS memo made these points clearly. In order to realize the aims of the Atlantic Charter, Hansen suggested an economic board, staffed by representatives of the charter’s signatories, to advise governments on full employment and economic stabilization policies. The board would work alongside an international investment agency undertaking development projects around the world. The stability of postwar regimes depended on

¹¹⁵ Alvin Hansen, “World Institutions for Stability and Expansion,” *Foreign Affairs* 22 (1943-1944): 248-255.

¹¹⁶ Alvin H. Hansen and C.P. Kindelberger, “Economic Tasks of the Postwar World,” *Foreign Affairs* 468 (1941-1942): 466-476.

¹¹⁷ Alvin Hansen, *America’s Role in the World Economy* (New York: Norton, 1945), 92.

¹¹⁸ Alvin Hansen, “The Importance of Antidepression Policy in the Establishment and Preservation of Sound International Relations,” *International Conciliation* 20 (1940-1941): 424-427.

eradicating the prospect of a new depression as well as the turn towards extreme forms of economic nationalism. Only an expanding world economy could prevent the kind of “stop-gap protectionism” and bilateralism that Germany had used to fund its rearmament.¹¹⁹ Hansen’s colleagues wondered whether any state, particularly the U.S., would allow for this kind of international oversight, and how to anchor it in the domestic American legal system. This organization would need to be removed from domestic politics, so that it would not be disestablished when control of congress changed party hands. These were real challenges, but it was far more “utopian,” as Staley insisted, to think that national governments would spontaneously coordinate their macroeconomic policies without international oversight. This would be like leaving the decisions of the American government in the hands of the forty-eight states without direction and oversight at the federal level.¹²⁰

Viner made similar claims in his many writings from the early 1940s. Now that cyclical depressions were widely recognized as a phenomenon requiring international attention, there was a growing consensus on the policies needed: harmonization of national fiscal decision-making, prevention of beggar-thy-neighbor strategies, and the creation of international investment organizations to direct investment in “economically-backward areas” under multinational oversight.¹²¹ Since the incentives that had existed in the nineteenth century for private investment in peripheral regions had disappeared, the international flow of private capital now had to be managed by a multinational authority, modeled on the China Consortium, the League’s Financial Committee, and the RFC and U.S. Federal Housing Authority:

¹¹⁹ CFR WPS. “International Collaboration to Secure the Coordination of Stabilization Policies and to Stimulate Investment.” November 28, 1941. W-287-E-B44.

¹²⁰ CFR WPS. Memoranda of Discussions. Twenty-second Meeting. November 1, 1941. W-199-E-A22.

¹²¹ Jacob Viner, “Objectives of Post-War International Economic Reconstruction,” in William McKee and Louis J. Wiesen, eds. *American Economic Objectives* (New Wilmington: Economic and Business Foundation, 1942), 161-185, at 169.

It is Utopian... to expect any international economic organization, no matter how skilfully it is designed, to survive and to yield satisfactory results, if the world economy meanwhile undergoes wild booms and crushing depression. It is likewise Utopian to expect that any advanced country which is a part of the world economic order can maintain stable economic conditions within its own borders while great instability persists in the world outside its frontiers.¹²²

It was more realistic, in other words, to plan for a new world economic administration of unprecedented scope and power than to assume the global capitalist system could survive without it.

¹²² Jacob Viner, "The International Economic Organization of the Future," in Howard Robinsons, et al., *Towards International Organization* (New York: Harper & Brothers, 1942), 110-137, at 133-134

CHAPTER SEVEN

Postwar Economic Planning for an Expanding World Economy, 1941-45

I. Wartime Visions of Expansion and Stability

Allied negotiations over the shape of the postwar international economic order began in earnest in the late spring and summer of 1941. This drama had two opening acts, at least as it is usually told: first, debate over Article VII of the Lend-Lease Agreement passed by Congress in March 1941, which called for an end to discrimination in postwar trade and thus became a major stumbling block in winning British support for American designs; second, the signing of the Atlantic Charter in August 1941, which promised raising labor standards, “economic advancement,” and social security around the world, as well as non-discrimination in trade, freedom of the seas, and equal access to raw materials. From the autumn of 1941 until war’s end, the story of Anglo-American negotiations has been told for generations as the saga of preparations for the Bretton Woods Conference of July 1944, with competition between John Maynard Keynes, who drafted his first International Clearing Union scheme in September 1941, and his American counterpart Harry Dexter White, who followed in April 1942 with plans for an International Stabilization Fund and an International Investment Bank, taking center stage.¹ These accounts usually begin after the outbreak of the European war, and tend to make little reference to the interwar origins of the debates that shaped postwar planning. They also mostly

¹ Notable among the many titles are Richard N. Gardner, *Sterling-Dollar Diplomacy: Anglo-American Collaboration in the Reconstruction of Multilateral Trade* (Oxford: Clarendon Press, 1956); Alfred J. Eckes, Jr., *A Search for Solvency: Bretton Woods and the International Monetary System, 1941-1971* (Austin: University of Texas Press, 1975); Armand Van Dormael, *Bretton Woods: Birth of a Monetary System* (London: Macmillan, 1978); G. John Ikenberry, “The Political Origins of Bretton Woods,” in Michael D. Bordo and Barry Eichengreen, eds. *A Retrospective on Bretton Woods: Lessons for International Monetary Reform* (Chicago: University of Chicago Press, 1993), 155-182; Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton: Princeton University Press, 2013); Ed Conway, *The Summit: Bretton Woods, 1944: J.M. Keynes and the Reshaping of the Global Economy* (New York: Pegasus, 2015).

focus on monetary questions and overlook the fact that financial stabilization was seen at the time as only one part of creating an overarching new system of world economic governance. For many, in fact, finance was of secondary importance. The stabilization of currencies was necessary to achieve the two overriding goals of postwar economic planning: security and expansion. But many assumed this would be impossible without realization of the three new expansionary policies: international anti-depression and full employment measures, commodity price stabilization, and international development.

The first half of the 1940s was a period of intense discussion about the reshaping of world order, as many different blueprints were developed for new international organization, from a new League of Nations, to a European union and world federal union. This was also the period of unparalleled enthusiasm for national welfarism, with the November 1942 Beveridge Report its most famous expression. For some in the early 1940s, liberal internationalism and national welfarism appeared to be reconcilable, and the establishment of an internationalized form of the interventionist Keynesian state was far more popular among major power-brokers than many realize. On the part of U.S. officials and experts, this was seen as necessary for guaranteeing the postwar expansion and stability of the domestic economy, preventing the spread of Bolshevism and Nazism, and extending the worldwide reach of American business. Only the expensive methods of guaranteeing “economic expansion and social betterment,” Leo Pasvolsky insisted, would “provide a convincing answer” to the spread of non-democratic forces,² and thus facilitate the global projection of American power. On the part of the British, this might provide an alternative to imperial preference as a means of preventing a postwar balance of payments disaster. In the twelve months on either side of the December 1941 U.S. entry into war, the

² “International Organization and the Inter-American System.” July 11, 1944. Pasvolsky Papers. Box 4. LOC.

economists, government officials, and international bureaucrats that made up the evolving trans-Atlantic network of international economic experts were committed to the idea of creating a new world economic administration of unprecedented scope and power to oversee the management of an expansionary postwar world economy. These plans were popular at the highest levels of the British and American states and strongly promoted by European members of the League of Nations and ILO in exile. These were the ideas that had become central to the missions of the two European-dominated organizations throughout their work over the previous two decades. Their continued *raison d'être* depended on convincing state officials that they alone possessed the expertise necessary to manage the postwar world economy.

In the 1990s, the Dutch economist Jacques Polak, an influential member of the EIS and then one of the first research directors of the IMF, reflected on the lost consensus of the late 1930s to the early Cold War on the need for full employment, international business cycle policy coordination, and monetary stabilization. This consensus, according to Polak, mirrored the “Washington Consensus” of the 1990s – in “both scope and depth, though not in its substance.” The fact that the League of Nations’s Depression Delegation played a crucial role in shaping this consensus, he added, was a fact that had been missed in most recollections of Anglo-American postwar planning.³ Polak was right to point out these connections, though he did not explain how and why this consensus fell away around 1943 as planning for the Bretton Woods Conference heated up. Worries about American domestic opposition led to a less ambitious settlement than many had hoped for, and that many thought was necessary to guarantee lasting economic stabilization. But the policy ideas of these years remained regulative ideals well into the Cold

³ Jacques J. Polak, “The Contribution of the International Monetary Fund,” in A.W. Coats, ed. *The Post-1945 Internationalization of Economics* (Durham: Duke University Press, 1996), 211-224, at 214-215, and n. 6.

War and helped to shape alternative visions for how the world economy could be managed as a systematic whole.

II. British Planning, 1941-42

Anglo-American discussions on these topics began in the late summer of 1941, when Alvin Hansen and the Columbia political scientist and War Department adviser Luther Gulick met with Keynes and other British officials in London to convince them the U.S. was dedicated to international cooperation on full employment policies after the war. The plans of Hansen and Gulick, which Loveday helped to shape from Princeton, called for the two countries to establish an “International Economic Board” to guide states on the coordination of full employment policies after the war, with officials stationed in Washington, London, and Ottawa. These also suggested an “International Development Corporation,” an International Resource Survey to propose development projects, and an organization to stabilize commodity prices.⁴ Hansen and Gulick’s presentation was greeted with skepticism by British officials, who doubted the U.S. state would allow an international agency to supervise its policies, and wondered whether Hansen and Gulick had the full backing of the State Department. Hansen, by contrast, saw his and Gulick’s proposal as key to convincing British officials to agree to Hull’s multilateral designs and to reconciling the two warring schools of thought in British economic planning: between the Keynes-Henderson commitment to exchange control and the group around Lionel Robbins that favored multilateralism. (Keynes himself had apparently told Hansen that “everyone in England would favor multilateral trade” if the U.S. committed to his plans.) Hansen insisted there were only two ways that Britain could pay for the imports it needed for postwar

⁴ On Loveday’s influence, see Patricia Clavin, *Securing the World Economy*, 282.

reconstruction: through the erection of exchange controls or through the encouragement of an “expanding world economy” to increase external demand for British goods. Economists around Hansen in the U.S., such as his colleagues at the WPS group, pushed him to get British officials to pledge their support for his plans. Loveday suggested that both states sign a formal agreement committing themselves to coordinated domestic policies of expansion.⁵

While most British officials were skeptical that Hansen and Gulick’s plans would be accepted at the highest levels of the U.S. state, they did encourage British officials to think that a managed program of economic expansion might be acceptable to the Americans if framed in international and not imperial terms. Over the next several months, many different British officials worked to combine these plans with Keynes’s proposal for an international clearing union. In the autumn of 1941, Hansen and Gulick developed their proposal in consultation with State Department officials, and presented it again to their British counterparts in November.⁶ They reached a loose agreement on joint measures to maintain a high level of employment after the war. But British officials were uncertain that the U.S. state was fully committed to these plans.⁷ They were agreed to in principle, but “with only a modicum of conviction.”⁸

At this time, direction of postwar planning in Britain was divided between those committed to imperial preference, like Keynes and Henderson, and those looking to a return to some form of free trade governed by international institutions, such as Meade, Robbins, Harrod, and Robertson.⁹ Treasury officials were committed to controls and bilateral negotiations, but

⁵ CFR WPS. Memorandum of Discussions. Twenty-Second Meeting. November 1, 1941. W-199-E-A22.

⁶ For context, see L.S. Pressnell, *External Economic Policy Since the War*, Vol. 1, 74; Roy Harrod, *The Life of John Maynard Keynes* (New York: W.W. Norton & Company, 1951), 527-8; E.F. Penrose, *Economic Planning for the Peace*, 15-16.

⁷ For Keynes’s recollections on this episode from 1944, see “Draft minutes of a meeting held at 10.45 a.m. on Tuesday, 29th February [1944], in the offices of the War Cabinet.” TNA T 247/25.

⁸ John Maynard Keynes. “Draft of Treasury memo seen by the Chancellor of the Exchequer.” TNA T 2417/117.

⁹ Robert Skidelsky, *Keynes: Fighting for Britain*, 237.

most members of the Economic Section thought this would make negotiations with the U.S. impossible.¹⁰ Hansen and Gulick's designs were appealing to this latter group. In July 1941, one memo had outlined plans for the international coordination of full employment measures – which were necessary, it added, now that “trade fluctuations” occurred simultaneously in developed countries.¹¹ That summer, Meade had similarly proposed a set of international anti-depression policies, as well as an agency to direct international public works and the development of “backward areas.”¹² This latter organization would be overseen by an International Reconstruction Finance Corporation funded by countries with favorable balance of payments.¹³ Meade insisted on a point that was now becoming a consensus view: that the liberalization of trade would be short-lived absent coordinated national and international anti-depression measures. Without these, a major crisis would lead to the cascading erection of trade restrictions and the collapse of the world economy into competing blocs.¹⁴

Hansen's and Gulick's plans encouraged Keynes to begin work on the first draft of his International Clearing Union (ICU) plan in the summer of 1941, which formed the basis for subsequent American-Anglo monetary negotiations.¹⁵ Between September 1941 and February 1942, Keynes wrote an additional four drafts of this plan, which, in turn, set off discussions with his American counterpart Harry Dexter White. Keynes incorporated the Hansen-Gulick suggestions into the second draft of his Clearing Union plans from November 1941, where he called for an “International Bank” to work with a Board for International Investment and international bodies in charge of “ever-normal granary” schemes and an Anti-Depression Board.

¹⁰ Alec Cairncross, *Economic Section*, 96-97.

¹¹ “Internal Measures for the Prevention of Unemployment.” 8th July 1941. TNA CAB 123/53.

¹² “The Board of Trade's Economic Memorandum on Economic Reconstruction.” 9th July 1941. TNA CAB 123/53.

¹³ “Proposals for Anglo-American Post-war Economic Co-operation.” 15th October 1941. TNA T 230/93.

¹⁴ John Jewkes to Norman Brook. 10th July 1941. TNA CAB 123/53.

¹⁵ Skidelsky, *Fighting for Britain*, 218. On the influence of Hansen and Gulick on Keynes's plans, see Pressnell, *External Economic Policy Since the War*, Vol. 1, 76.

These institutions would “exercise contractionist or expansionist influence on the system as a whole” in order to “maintain the stability of prices and to control the trade cycle.” In the third draft of the plan from December 1941, Keynes made it clear that four institutions would be established: the International Clearing Bank, Hansen and Gulick’s International Economic Board, an International Investment or Development Corporation, and a commodity organization. There would also work be an international T.V.A. program. The direct references to Hansen and Gulick were removed from the third draft of Keynes’s plan from January 1942, but the recommendations for four new institutions remained identical.¹⁶ Keynes was committed to the idea of scaling up domestic New Deal-style expansionary policies to the world and to creating advisory bodies to oversee this process. But he worried about the difficulty of getting national governments to agree to this kind of international policy oversight. There was a case to be made for an international development organization combining long-standing British experience in foreign lending with the vast riches of the American state, but Hansen’s proposal for a postwar investment body looked dangerously close to the model of the League of Nations’s loans – “not a happy prototype.”¹⁷ These “had given nothing but trouble,” Keynes insisted, though they did provide the most obvious means for reigniting foreign lending after the war.¹⁸

Despite these challenges, Hansen and Gulick’s plans offered the most promising guidelines for how to plan an expansionary postwar system, and they shaped the work of many other British officials. In January 1942, Roy Harrod wrote up blueprints for an “Anglo-American condominium” to coordinate the work of an Anglo-American Clearing Bank, an Anglo-American Buffer Stock Control, and an Anglo-American Investment Board. These would

¹⁶ John Maynard Keynes, *Collected Writings. Volume XXV. Activities 1940-1944. Shaping the Post-war World. The Clearing Union*, ed. Donald Moggridge (London: Macmillan, 1980), 59-60, 91-94, 133, 169.

¹⁷ “Draft of Treasury memo seen by the Chancellor of the Exchequer.” TNA T 2417/117.

¹⁸ “Second Meeting with the Bank [of England].” 25th November 1941. TNA T 247/122.

“provide a service that has not been provided in the world before:” advising governments on domestic full employment policies and designing foreign investment schemes to maintain full world employment.¹⁹ Harrod was committed to the idea that the prevention of future war depended, first and foremost, on finding a solution to the trade cycle on a world scale, which required states to relinquish authority to an international authority that was charged with responsibility for employment policies everywhere. This authority would have to see the world as one “unit” to be governed in ways that had never been attempted before:

The authority surveying its area as a single economic unit would be responsible for tapping the available savings within it... to carry out large-scale improvements designed to bring the greatest economic benefit to the area considered as a whole. It would also have problems connected with: the balance of production of different categories of goods in different parts of the world, with the relative movements of prices, the international balance of payments, the course of monetary values, the policies of central banks; and it would not neglect migration and settlement.

This organization would have a fully multinational staff – including Germans – who would manage all of the world’s economies, even those of the British colonies.²⁰

Harrod also called for a new suite of development projects to help the world achieve a new equilibrium at which it “is geared to a higher level of activity.”²¹ An “independent advisory tribunal,” staffing anthropological experts, would shape development schemes dealing with “primitive peoples” to ensure they did not interfere with communal, familial, and religious traditions.²² An international buffer stock agency would be linked up to the Anglo-American Investment Board that was based on Hansen’s designs. Both organizations would have the same mission: “to flatten out the trade cycle.”²³ In April, Harrod suggested to Keynes the idea of an

¹⁹ “Anglo-American Investment Board.” TNA T 2417/117.

²⁰ Roy Harrod, “Peace Aims and Economics,” *Horizon* 1 (1940): 155-162, at 159.

²¹ “Anglo-American Investment Board.” TNA T 2417/117.

²² “Draft of Treasury memo seen by the Chancellor of the Exchequer.” TNA T 2417/117.

²³ “Notes by Mr Harrod on Memorandum Entitled Post-War Monetary and Financial Policy.” 17th November 1941. TNA T 247/116.

“Anglo-American Economic Service,” linked up to the Clearing Union, to take overall responsibility for the postwar world economy and its expansion. Other Allies could join this organization at a later date. Keynes objected to the exclusively Anglo-American character of Harrods’s proposal, which mostly excluded the Soviet Union, the Dominions, and Europe. He was convinced that the Americans would insist on a more international arrangement.²⁴

Harrods’s prompting did encourage Keynes to work in early 1942 on plans for an international buffer stock agency to be linked up to the International Clearing Union. In April 1942, he developed a scheme for the international control of raw materials, with the explicit aim of internationalizing Henry Wallace’s “Ever-normal Granary.” The violent fluctuations in prices for major commodities was now a widely-recognized defect in the international laissez-faire system. Between 1928-38, he pointed out, the prices of four major raw materials – rubber, cotton, wheat, and lead – had ranged up to 67 percent per year. An international organization, managed by independent experts, was needed to slow the international transmission of depressions, prevent a vicious deflationary cycle between primary producing and industrial states, and thus help “cure the Trade Cycle itself.”

At present a falling off in effective demand in the industrial consuming centres causes a price collapse which means a corresponding break in the level of incomes and of effective demand in the raw material producing centres, with a further adverse reaction, by repercussion, on effective demand in the industrial centres; and so, in the familiar way, the slump proceeds from bad to worse... if the Commodity Controls are in a position to take up at stable prices the slack caused by the initial falling off in consuming demand and thus to preserve some measure of stability of incomes in the producing centres, the vicious cycle may be inhibited at the start; and, again, by releasing stocks when consumption recovers, the Commodity Controls can prevent the inflation of raw material prices which carries the seeds of an incipient boom.²⁵

²⁴ Keynes, *Collected Writings. Volume XXV*, 145-152.

²⁵ “The International Control of Raw Materials”. 14 April 1942. TNA T 160/1377.

Buffer stocks, according to Keynes, were a more powerful means of controlling the global transmission of deflation than international public works. A commodity organization would form the “perfect complement” to an international Development Organisation or an International T.V.A.: all were designed to “offset a deficiency of effective demand which seems to be endemic.”²⁶

Keynes’s plans for a buffer stock agency set off a wave of discussion at high-levels of the British state and the Bank of England from the spring of 1942 through 1943. Harrod argued that this was a necessary complement to the Clearing Union scheme, since the ICU on its own would not inject sufficient purchasing power into the world economy. But it would be difficult to convince industry to agree to a scheme that did not work simply to maintain high prices, and the whole plan was likely to prove “rather a nasty pill for the Americans.”²⁷ Robbins and Robertson took charge for working up these proposals, but they faced resistance from other government offices, such as the Ministry of Agriculture. In March 1943, the Official Committee on Post-War External Economic Problems submitted a draft proposal for a buffer stock scheme and a “General Council for Commodity Controls” to the War Cabinet, which suggested these ideas be brought to the United Nations Conference scheduled for May 1943.²⁸ For his part, Churchill was entirely uninterested in these designs: “what’s this about Butter Scotch?”, he apparently remarked upon hearing about them. Throughout 1942 and the first months of 1943, commodity price stabilization nonetheless remained the most important aim of British postwar economic planning after monetary stabilization, in line with efforts to promote a “general expansionist

²⁶ Ibid.

²⁷ Roy Harrod to Richard Hopkins. 11 May 1942. TNA T 160/1377.

²⁸ John Maynard Keynes, *Collected Writings. Volume XXVII. Activities 1940-1946. Shaping the Post-War World: Employment and Commodities*, ed. Donald Moggridge (Cambridge: Cambridge University Press, 1980), 105-199.

trend in economic life after the war,” as a May 1942 Treasury memo put it.²⁹ But the raw materials problem dropped out of major discussions shortly thereafter.³⁰

III. American Planning, 1941- 42

During this period in the U.S., support for the creation of new institutions to oversee the coordination of anti-depression policies, commodity price stabilization, and international development was widespread – much more so than has been acknowledged in the literature on “New Deal internationalism,” which typically describes this in terms of popular calls for an “economic bill of rights” and the vague welfarist commitments of the Atlantic Charter.³¹ What accounts of “New Deal internationalism” or “Keynesian internationalism” often miss is that leading U.S. officials were also working on blueprints for the establishment of new international mechanisms to coordinate expansionary macroeconomic policies. On both sides of the Atlantic, as the U.S. economic adviser E.F. Penrose later wrote, there was widespread support among economists for marrying freer trade and full employment. Postwar planning was not yet neatly divided into different tasks like finance, raw materials, and trade.³² Many in the U.S. were committed to the view that an expansionary postwar world economy would lift all boats at once in an interdependent world, and that the U.S. was singularly responsible for managing the world’s economic equilibrium by maintaining a high-level of domestic activity and by sending capital abroad.³³

²⁹ “Notes on the schemes of ‘International Control of Raw Materials.’ (prepared in the Treasury with a view to submission to the Official Committee on External Economic Problems).” 6 May 1942. TNA T 160/1377.

³⁰ Penrose, *Economic Planning for the Peace*, 67.

³¹ Elizabeth Borgwardt, *New Deal for the World* (Cambridge, MA: Harvard University Press, 2005), 134.

³² Penrose, *Economic Planning for the Peace*, 29, 7.

³³ Alfred J. Eckes, “Open Door Expansionism Reconsidered: The World War II Experience,” *The Journal of American History* 59.4 (1973): 909-942.

Planning along these lines began in full after the attack on Pearl Harbor in December 1941, when Hull brought together a new Advisory Committee on Post-War Foreign Policy at the State Department, and when Morgenthau first asked Harry Dexter White to begin work on a postwar stabilization fund. Pasvolsky was leading this work at the State Department. While the return to free trade was the major priority of Hull's State Department, the assumption among many who worked there was that this would not be possible without raw materials control and international anti-depression polices. Officials at the State Department explicitly described their task as carrying forward the incomplete project of the League's Depression Delegation. This organization was held in high regard at the State Department, and was seen as having made the most important progress on the international control of the trade cycle. The point of departure for any new "World Economic Authority" was the League's work from 1938-39.³⁴ The tripartite suite of expansionary policies that had first emerged at the end of the 1930s was also crucial to the State Department's plans for postwar commercial liberalization: "The industrialization of agricultural states with growing populations should be aided by other Governments, not restricted," as one memo put it, "constructive and synchronized anti-depression policies should be devised; the raw material problem should be accepted and faced as a problem subject to solution by joint effort."³⁵

Hull's group was struggling to make progress on these problems, however, largely due to inter-departmental rivalries. This opened a window of opportunity to Vice President Henry Wallace to offer more ambitious New Deal-inspired plans for the postwar international order.³⁶ Wallace was the most influential American advocate for the kind of expansionary ideas then

³⁴ "Notes on the Re-statement of Our Aims." Leo Pasvolsky Papers. Box 7. LOC.

³⁵ "Postwar Problems. Plan of Work." Pasvolsky Papers. Box 7. LOC.

³⁶ Eckes, *Search for Solvency*, 41

being worked out among British officials and at the League and ILO, and had popularized the ideas of an “international T.V.A” and an international “ever normal granary.”³⁷ The son of a former Republican Secretary of Agriculture from Iowa, Wallace had been appointed to this same position in 1933, where he oversaw an ambitious suite of New Deal agricultural reforms before being chosen as Roosevelt’s running-mate for the 1940 election. In the early 1940s, Wallace continually emphasized the need to create a new United Nations body to prevent “world wide unemployment” and to make massive international loans and lead international public works projects once government spending on the war came to an end.³⁸ Wallace is sometimes described as something of an idealistic ringleader of a corps of U.S. bureaucrats and experts who hoped to internationalize the domestic institutions of the New Deal in order to save it at home.³⁹ While he was not a sophisticated thinker himself, he did have a major impact on postwar planning, particularly concerning schemes for development and a buffer stock agency, and he brought together a brilliant corps of experts at the Board of Economic Warfare (BEW), which was founded in July 1941 to manage U.S. supply of strategic raw materials. Wallace was widely recognized as one of Roosevelt’s closest and most influential aides: according to the British philosopher Isaiah Berlin, who was then working at the British embassy in Washington, Sumner Welles and Wallace were the “President’s right and left hands on post-war matters,” though the two apparently hated each other.⁴⁰ The American journalist James Reston called Wallace “the

³⁷ On Wallace in the broader intellectual context of New Deal internationalism and his conflicts with other U.S. officials, see Norman D. Markowitz, *The Rise and Fall of the People’s Century: Henry A. Wallace and American Liberalism, 1941-1948* (New York: The Free Press, 1973), 38-45; J. Samuel Walker, *Henry A. Wallace and American Foreign Policy* (Westport, CT: Greenwood Press, 1976), 83-99; John C. Culver and John Hyde, *American Dreamer: A Life of Henry A. Wallace* (New York: Norton, 2000), 266-326.

³⁸ Henry Wallace, *Democracy Reborn* (New York: Reynal & Hitchcock, 1944), 197.

³⁹ Borgwardt, *A New Deal for the World*, 116-117.

⁴⁰ HG. Nicholas, ed. *Washington Despatches: Weekly Political Reports from the British Embassy* (London: Weidenfeld and Nicolson, 1981), 43.

administration's head man on Capitol Hill, its defense chief, economic boss and No. 1 postwar planner. He is not only Vice President, but 'Assistant President.'"⁴¹

From his position at the head of the BEW, Wallace attempted with fellow New Dealer Milo Perkins from the Department of Agriculture to create a rival organization to the State Department for postwar planning. This generated fierce resistance from Hull, who disliked the more visionary aspects of New Deal foreign economic policy and feared he was losing the initiative to Wallace.⁴² In the summer of 1942, as Berlin recounted, Hull was preparing "a thunderbolt to launch at the Pied Pipers of the New Deal."⁴³ Wallace faced opposition from other bureaus as well, such as the RFC and War Production Board, and he was strongly criticized by Republicans for his supposed plans to internationalize the New Deal. Wallace's calls for world development in a famous March 1942 speech led to accusations that he was promising a "quart of milk for every Hottentot." His strongest opposition came from the conservative Secretary of Commerce Jesse Jones, head of the RFC, whose quarrel with Wallace over authority for wartime procurements led Roosevelt to abolish the BEW in July 1943 – a move that was interpreted as a clear sign that Roosevelt had abandoned the more ambitious plans of the early New Deal.⁴⁴ Suspicion among American conservatives about plans like Wallace's to internationalize New Deal institutions ultimately doomed efforts to commit the U.S. to the expansionary policies so many had hoped for the world between 1940-43.⁴⁵

While Wallace's attempt to turn the BEW into a rival to Hull's State Department was short-lived, the work of his brain trust crucially framed the terms of postwar economic planning,

⁴¹ Quoted in Culver and Hyde, *American Dreamer*, 269.

⁴² Markowitz, *The Rise and Fall of the People's Century*, 69.

⁴³ Nicholas, ed. *Washington Despatches*, 63.

⁴⁴ Charles Maier, *In Search of Stability*, 127; Brinkley, *End of Reform*, 148-154; Culver and Hyde, *American Dreamer*, 266-311.

⁴⁵ Penrose, *Economic Planning for the Peace*. 37-38.

particularly concerning development. As a part of its three-thousand strong staff, Wallace gathered a group of economists at the BEW who had close ties with the European and Geneva-centered network of international economic experts that had emerged in the 1920s and 1930s and who were working at the vanguard of ideas for an expansionary postwar world economy. J.B. Condliffe, Lewis Lorwin, and Winfield Riefler, for example, all consulted with the BEW, as did Alvin Hansen. The BEW also hired experts with regional expertise, such as the Chinese economist H.D. Fong, who had studied League efforts with the Chinese National Economic Council in the first half of the 1930s and who was now planning China's postwar industrialization.⁴⁶

The work of the BEW focused heavily on development. Riefler, who had been collaborating with Loveday on schemes on the postwar export of American capital for Wallace, offered an important set of memoranda on development in October 1941 as part of his broader plans for establishing a new overarching organization to take charge of postwar economic governance.⁴⁷ His most influential plan was for an International Development Authority to offer charters for corporations working on development projects in poor countries. Investors could trade the stock they held in these corporations for debentures of the Development Authority, which would be funded by the U.S. and British governments.⁴⁸ Another economist working on development at the BEW was the young Charles Kindleberger, who was also on the staff of the Board of Governors of the U.S. Federal Reserve and then at the Office of Strategic Services. (He had previously worked at the BIS.) In the summer of 1942, Kindleberger wrote three influential

⁴⁶ H.D. Fong to W.L. Holland. May 24, 1943. Condliffe Papers. Box 9. BLB.

⁴⁷ "Organization for Transition and Reconstruction." Condliffe Papers. Box 22. BLB; Alexander Loveday to Cecil Kisch. October 2, 1941. TNA FO 371/26662. Riefler was seen at the time as a major counterpart to Hansen and Gulick. N.B. Ronald to Redvers Opie. 6th November, 1941. TNA FO 371/26662.

⁴⁸ Eric Helleiner, *Forgotten Foundations on Bretton Woods*, 124; Robert Oliver, "Early Plans for a World Bank," *Princeton Studies in International Finance* 29 (1971), 20-22.

memoranda on postwar expansionary policies, which were circulated widely at the State Department, where plans were being developed for an international investment agency modeled on the League of Nations' experience with lending from the 1920s.⁴⁹ According to Kindleberger, a program of international development would provide the expansionary stimulus needed set into motion the "nondiscriminatory, self-perpetuating system of trade and exchange" that State Department officials hoped to establish. And he worried that the success of Soviet industrialization with little foreign capital provided an appealing model to underdeveloped countries. Without a strong U.S. commitment to international development, these countries would turn inwards to pursue an autarkic model of development. Recent programs of Latin American industrialization needed to be scaled up to the rest of the world.⁵⁰ An international organization would direct large infrastructural projects around the world modeled on the T.V.A., St. Lawrence Seaway, Alaska Highway, Panama Canal, and projects on the Grand Coulee and Columbia River. The work of this International Development Authority would, taken together, would help to mitigate international business cycle fluctuations.⁵¹

Condliffe wrote up similar plans for the BEW in the summer of 1942.⁵² Like most of his colleagues, he insisted that a return to multilateral trade would be impossible without the development of "backward areas" and the increase of the purchasing power of most of the world's inhabitants. Development in the nineteenth century had been made possible by the investment of rich countries in poor ones for the sake of their own trading interests, with treaty ports and extractive activities, like mining and plantation farming, enriching the metropole at the

⁴⁹ "Work in Progress in the Division of Special Research and other Divisions and Agencies on the Topics Mentioned in Mr. Feis's Memorandum." November 16, 1942. Pasvolsky Papers. Box 1. LOC.

⁵⁰ "The Bases of an International Program for National Development after the War." 24 June 1942. Condliffe Papers. Box 22. BLB.

⁵¹ "Suggested Supplementary Program of Research;" "Outline for a Memorandum on the Organization of an International Development Authority." July 11, 1942. Condliffe Papers. Box 22. BLB.

⁵² See also his August 1943 memo "The Political Economy of Welfare." LON C1756.

expense of the colony. Now, in large part due to the successful industrialization of the USSR, the future of development was seen in terms of the national economy. The countries that were most likely to pursue major postwar development schemes – the once “semi-colonial territories” of China, India, and Iran – all boasted powerful nationalist movements with sophisticated national schemes of industrialization and planning. Postwar assistance to these countries would have to be overseen by a truly international body, and not just an Anglo-American one, to avoid the impression that development was simply a new form of Western economic imperialism. Condliffe proposed an international Investment Authority to survey development proposals, coordinate them with different national economic councils, secure funding like the RFC did on the national level, and take charge of economic intelligence work, performing a “continuous economic audit or appraisal of the international economic effects of aggregate investments in different areas.”⁵³ This Authority would be linked up to several different semi-autonomous technical bodies, including an International Commodity Corporation, all of which would be coordinated under a council of the United Nations just as different departments of the national state were coordinated under one centralized authority.⁵⁴

The BEW was seen as uniquely capable of undertaking the “factual survey of economic activity on a world scale” this would require, and the hiring of the requisite corps of “economists, geographers, and technicians such as geologists and chemists.” This whole system would be directly modeled on the experience of the League, Condliffe insisted, which was still the “only international experiment as yet available in this field” –though an imperfect one:

[the League] had no power to call for information from national governments or private firms. It had no power of supervision or licensing of private investment even in countries like Austria and Hungary where it was able to place its representatives in the central

⁵³ “Notes on International Economic Development.” Condliffe Papers. Box 22. BLB.

⁵⁴ J.B. Condliffe to Louis H. Bean. “International Commodity Controls.” August 27, 1942. Condliffe Papers. Box 22. BLB.

banks and finance ministries to advise on the progress of its international reconstruction activities. It had no funds at its disposal and no power to initiate or even investigate the possibilities of international economic development projects. It was able to operate therefore only as a research agency and, where specific functions were entrusted to it by the Council of the League, by means of persuasion exercised upon the national governments concerned.⁵⁵

Condliffe nonetheless insisted that the League provided the most important models for the future progress of international development. The loans to Austria showed how to internationalize the management of sovereign debt, while the missions of League experts to China from the early 1930s provided an exact precedent for the kind of work the United Nations needed to establish on a large scale after the war.⁵⁶ Like Condliffe, other members of the BEW studied the League's work with the Chinese National Economic Council for guidance on how to establish new programs of international technical assistance to Asia.⁵⁷

These were crucial predecessors to the planning for the International Bank for Reconstruction and Development (IBRD) that White worked on in late 1941 and early 1942. The idea of the development of poor countries was central to White's early drafts for this international bank – a fact that has been missed in decades of historical literature on the origins of the Bretton Woods institutions, most of which wrongly insists that White and other U.S. officials paid little heed to the development problem.⁵⁸ Very far from it: White called for development projects in the Far East, the Balkans, South America, and the Near East, modeled on Hansen and Gulick's proposals for an international investment authority, blueprints for the Inter-American Bank, and the U.S. Export-Import Bank, which had been set up in 1934 as part of

⁵⁵ "Notes on International Economic Development." Condliffe Papers. Box 22. BLB.

⁵⁶ J.B. Condliffe, *Agenda for a Postwar World*, 173-182.

⁵⁷ Cyrus H. Peake. "Comments on Sections Relating to the Far East in Lewis L. Lorwin's International Public Works and Economic Development." June 22, 1942. Condliffe Papers. Box 22. BLB.

⁵⁸ Correcting this gross historical oversight is the major intervention of Helleiner's path-breaking *Forgotten Foundations of Bretton Woods*.

the National Industrial Recovery Act.⁵⁹ The first draft White published of his plans for the IBRD from April 1942, however, mostly dealt with financial stabilization and not development, in large part because the former was seen as far more technically challenging and less likely to attract public attention, though it did include plans for commodity price stabilization and anti-depression policies. But when White publicized his plans for the International Stabilization Fund and IBRD in April and November 1943, respectively, earlier ambitious developmental aims had been watered down, largely due to worries about Congressional approval. No mention was made of using them in combination with a commodity stabilization board. One of the major differences between Keynes's plans for a Clearing Union and White's plans Stabilization Fund, according to Keynes, was that the latter lacked mechanisms for dealing with the business cycle or for promoting expansionary policies.⁶⁰ This was a crucial moment in the American taming of enthusiasm for the expansionary ideas that had been so popular in the first years of the war – a process that accelerated with Republican congressional gains in the 1944 election.⁶¹

Until the end of 1942, however, this vision of a coordinated approach to postwar expansionary policies motivated planning at high-levels of both the American and the British states, and shaped many of the initial conversations between officials and private experts from the two countries. Discussions at the WPS group at CFR, for example, focused on strategizing the challenges of these news plans for development, which most thought would do more than enough to help postwar Britain meet its balance of payments problems. How could discipline be

⁵⁹ Oliver, "Early Plans for a World Bank," xxi; 89, 91; Eric Helleiner, "Back to the Future? The Social Protection Floor of Bretton Woods," *Global Social Policy* 14.3 (2014): 298-318; J. Keith Horsefield, *The International Monetary Fund, 1945-1965: Twenty Years of International Monetary Cooperation* (Washington, D.C.: International Monetary Fund, 1969), 12-14.

⁶⁰ Keynes, *Collected Writings. Volume XXV*, 224.

⁶¹ Helleiner, *Forgotten Foundations of Bretton Woods*, 114-132; Eckes, "The Open Door Reconsidered," 918; John Morton Blum, *From the Morgenthau Diaries: Years of War, 1941-1945* (Boston: Houghton Mifflin, 1967), 231-232; Maier, *In Search of Stability*, 128.

introduced into “backward areas” to make them eligible for foreign financial assistance? Was government funding or the channeling of private capital better for development? Was another institution needed, perhaps a transformed BIS, to regulate the flow of “hot money” and to oversee limited exchange controls?⁶² In the spring of 1942, Meade suggested to John Winant, U.S. Ambassador to Britain (and former ILO director), that – in addition to coordinated full employment measures – there were four approaches to the “problem of economic expansion” that should form the basis for future negotiations with the Americans: monetary stabilization, commodity price stabilization, international development, and international commercial regulation. Winant admitted that this might appeal to Henry Morgenthau, Marriner Eccles, Alvin Hansen, and Henry Wallace, but probably not to Cordell Hull.⁶³ But even as late as December 1942, Isador Lubin, a close adviser to Roosevelt, met with Meade to encourage him to have the British work up far-reaching expansionary proposals, which U.S. officials felt constrained from doing so themselves out of concern for domestic political opposition. Lubin agreed that four main policies were needed to fulfill the promises of the Atlantic Charter and Article VII of Lend-Lease:

(a) of a monetary character, to ease balance of payments problems; (b) of a character that would stabilise the prices of primary products; (c) to ensure a flow of long-term capital from the rich creditor countries for the development of undeveloped areas; and (d) of a kind that would provide a code of rules for international commercial behaviour.⁶⁴

In 1941 and 1942, there thus appeared to be more options available for a postwar world economic order than the limited set of proposals that would ultimately shape the Bretton Woods Agreement of 1944. The vision of marrying monetary stabilization, international development, commodity price stabilization, multilateral trade, and full employment was so widespread in the

⁶² See, for example, CFR WPS. Memoranda of Discussions. Twenty-fifth meeting. January 24, 1942. W-203-E-A26.

⁶³ Meade to Robbins. 29th May 1942. TNA T 230/93.

⁶⁴ Meade. 16th December 1942. TNA T 160/1377.

spring of 1941, as Penrose later recalled, that it could not be traced back to any one particular source. It had simply “been in the air for several months.” The earliest conversations Penrose could remember having about this suite of policies were with officials of the League of Nations and the ILO in the early months of the war before their exile across the Atlantic.⁶⁵

IV. The Contributions of the ILO & League of Nations, 1941-43

It was the officials of these two international organizations that had opened conversations in the late 1930s on the possibility of coordinated policies for world economic expansion, overseen by a new overarching administration. These policies were, in part, framed by the proposals for international public works from the 1930s, which, in turn, drew important inspiration from the League’s work in China. They offered guidance for how to finally tame the business cycle on the global level and to raise purchasing power and demand around the world in a new international synthesis of agricultural and industrial economies. During the war, League and ILO officials provided the most reliable and sophisticated sources of expertise for policy-makers interested in these expansionary ideas, and they were consulted in private by high-level governments ministers from the British and American states. While it was not clear what the fate of the two European-dominated organizations would be after the war, U.S. and British officials were eager to make use of them. This was particularly true in the case of the ILO, which, unlike the League, counted on American membership, and which was seen as a potentially useful for realizing New Deal projects.⁶⁶ British officials were eager for the Roosevelt Administration to use the ILO, as Anthony Eden put it, for the “transaction of international business through a

⁶⁵ Penrose, *Economic Planning for the Peace*, 40.

⁶⁶ “Resolution concerning Postwar reconstruction adopted at the International Labour Office Conference.” 12th November 1941. TNA FO 371/26649.

regular and organised international machine,⁶⁷ and to hand it responsibility for realizing the Atlantic Charter ideals.⁶⁸ British officials held the work of Loveday's group in high regard, as well, and they wanted to keep him closely involved in planning, particularly since his Depression Delegation could make a case for the kinds of expansionary postwar policies British officials themselves were nervous to suggest to their American counterparts. They wanted a strong commitment to full employment policies by the U.S., which meant accepting, in principle, the ideas Hansen and Gulick had originally worked out with Loveday. But since the U.S. could not now be expected to join the League, this left the ILO in a more favorable position.⁶⁹

For their part, ILO officials were eager to expand the scope of their organization's work, and in the autumn of 1941, pushed for the organization to take the leading position on the planning of postwar expansionary policies. In the mission statement written for the ILO's October-November 1941 conference in New York City, Director E.J. Phelan called for a program of international public works and of internationally-financed "colonisation" to direct capital towards investment in poor countries in ways that would benefit the industrial world.⁷⁰ This work took its point of departure from the proposals of the ILO's International Public Works Committee, which had been wound down by the outbreak of war two years before.⁷¹ At the New York conference itself, a resolution was passed calling for the establishment of a committee to plan postwar reconstruction measures as well as longer-term unemployment policies.⁷² U.S.

⁶⁷ Eden to Arthur Greenwood. 20th November 1941. FO 371/26649.

⁶⁸ "Official Statements and Views Relative to the Maintenance of Peace and Security." Pasvolksy Papers. Box 4. LOC

⁶⁹ "Note" by Roger Makins. 26th November, 1941. TNA FO 371/26649.

⁷⁰ *The ILO and Reconstruction*, 105

⁷¹ Arndt, *The Economic Lessons of the Nineteen-Thirties*, 241, n.2.

⁷² *Conference of the International Labour Organisation. 1941 New York and Washington, D.C. Record of Proceedings* (Montreal: International Labour Office, 1941).

officials, particularly Pasvolsky, took interest in the ILO's initiative.⁷³ At a follow-up meeting after the conference, officials from the State Department, ILO, and League worked on a joint program for achieving a synthesis between long-term international and domestic economic objectives. Carter Goodrich called for ambitious scheme of reconstruction financing, which he referred to as "T.V.A. imperialism for China," and a general tripartite breakdown of policy planning: "First, measures leading to international action; second, measures leading to domestic action; and third, measures leading to co-ordinating domestic and international action." On this point, Gulick reminded those gathered of the blueprints Hansen had outlined for employing international and national advisers to lead the international co-ordination of domestic policy.⁷⁴

By late 1941, Loveday had grown worried that his group was losing ground to the ILO in capturing the attention of U.S officials, and that the ILO was the only organization the public thought was still active. At the New York conference of the ILO, Adolf Berle and the U.S. Secretary of Labor Frances Perkins had pressed the ILO to take up postwar economic issues on a broader basis, which had alienated League officials, who saw economic questions as their exclusive responsibility. After the U.S. entry into the war, Hull had informed Loveday that he no longer had any objections to the League Committees meeting in the U.S.⁷⁵ Loveday was close with Pasvolsky and had a working relationship with Welles.⁷⁶ But there was a general suspicion among Loveday's group that U.S. officials did not understand that the League, not the ILO, was the organization responsible for economic problems.⁷⁷

⁷³ "Memorandum on the Forthcoming Conference of the International Labor Organization." October 20, 1941. Pasvolsky Papers. Box 1. LOC.

⁷⁴ Minutes, Meeting held at Columbia University, 28 December 1941. Pasvolsky Papers. Box 2. RG 59. NARA.

⁷⁵ C.J. Hambro to Cecil Kisch. January 8, 1942. TNA FO 371/30980.

⁷⁶ TNA FO 371/34519.

⁷⁷ Frederick Phillips to Frederick Leith-Ross. January 13th, 1942. TNA FO 371/30980.

In 1942, the priority of Loveday's group was finishing the report of the Depression Delegation, which had been postponed by the outbreak of war in 1939. Many of the original members of the group had returned, including Gottfried Haberler, Carter Goodrich, and Oskar Morgenstern, who was now a permanent member of staff at the Princeton Institute for Advanced Study. Loveday had originally dragged his feet about publishing the Delegation's report during the war, as he was worried about involving the secretariat in the criticism of government policy in its adopted home. But he was now facing pressure both from British officials and the League's Economic and Financial Committees to bring it out immediately. There was widespread feeling in London that the war might end soon, and no one wanted to be "caught unprepared." (The working assumption at the Economic Section at the beginning of 1942 was that the war would end in late 1943.)⁷⁸ Given the "abnormal times," Loveday was told to drop his reservations and to take personal responsibility for the report's opinions on official policy.⁷⁹ British officials wanted Loveday's group to produce something along the lines of an "economic Ten Commandments – a sort of code to which all countries might be invited to adhere."⁸⁰ The idea of a written pledge binding states to specific national economic policies became a popular proposal during this decade.⁸¹ No one was better suited to write it than Loveday.

Loveday was still strongly committed to the view that anti-depression policy had to be at the center of any postwar system, and he was one of the major voices, behind the scenes, in advocating this idea to British and American officials.⁸² Loveday took credit for co-authorship of the plans Hansen brought to British officials in 1941,⁸³ and argued that different reconstruction

⁷⁸ "The United Kingdom's Post-war Balance of Payments." 31st January, 1942. LON P150.

⁷⁹ "I.L.O. and I.L.O. Meeting." LON P150.

⁸⁰ Cecil Kisch to Loveday. 3 November, 1941. TNA FO 371/26662.

⁸¹ See, for example, A.G.B. Fisher, "The Future of International Economic Institutions," 191-198.

⁸² Loveday to Janet Smith. 10 March 1941. TNA FO 371/26661.

⁸³ "The General Position in London." LON P150.

and relief programs needed to take into account their “cyclical implications.”⁸⁴ Loveday was convinced that the legitimacy of any postwar democratic regime would depend, above all else, on its ability to repurpose the economic energies of the war effort to the task of guaranteeing employment. If any state attempted this on its own, it would either fail or lead it back to autarkic policies. This was the lesson of the 1930s: when governments were prevented by international economic constraints from guaranteeing the economic security of their citizens, they were forced to break with the international system, which, in turn, laid the groundwork for war. While economic security was now a basic demand of national citizenship, the international system was not prepared to deal with this fact without fundamental reorganization.⁸⁵ The new national economic powers that the Depression had forced states to adopt had led to a forking road: one path pointed towards a return to autarky and the violence to which this inevitably led, and another to the elaboration of much more complex international machinery to accommodate the coexistence of the new warfare-welfare states of the developed world.

Loveday’s insistence on the need for international anti-depression measures stamped the major wartime publications of his group. In a short study published in the summer of 1943, for example, even the arch-liberal Haberler argued that the rise of economic nationalism was due to the lack of international planning to insulate states from the crisis, which meant that a lasting return to free trade required worldwide anti-depression measures. Haberler called for international supervision over economic policies, and perhaps even an international veto to maintain full employment in the larger creditor economies, as well as public works schemes and industrialization for “backward countries.”⁸⁶ In his 1944 *International Currency Experience*,

⁸⁴ Alexander Loveday to Cecil Kisch. October 2, 1941. TNA FO 371/26662.

⁸⁵ Alexander Loveday, “The Economics of Transition,” *Proceedings of the American Philosophical Society* 87.2 (1943): 189-193.

⁸⁶ Haberler, *Quantitative Trade Controls: Their Causes and Nature* (Geneva: League of Nations, 1943).

perhaps the most influential single-authored study of the wartime EIS, the Estonian economist Ragnar Nurkse argued that the “conflict between national and international stability could only be resolved if countries all adopted the same objective: a stable level of good employment – and were generally successful in attaining it, or if they expressly arranged to coordinate and synchronize their policies for the maintenance of economic activity.”⁸⁷ Nurkse also insisted on the need for buffer stock operations, since monetary policy had proven incapable of stabilizing prices by itself.⁸⁸ The idea of international anti-depression policy was at the heart of the report the Depression Delegation finally published in late 1943. Since the war had “awakened the public to a consciousness of the enormous capacity of a modern society to produce,” it argued, it was absurd to think democratic publics would allow this capacity not to be directed after the war, first and foremost, to the prevention of unemployment.⁸⁹ The basic legitimacy of postwar regimes thus required new international mechanisms to bring the business cycle finally under rational control.

V. The Eclipse of Ambitious Planning in 1943

By 1943, postwar planning in the U.S. had been taken over by the Treasury, and focus began to narrow to the problem of monetary stabilization. This was seen as easier to reach an agreement on with British officials than other matters and, due to its complex technical nature, appeared to attract less public attention.⁹⁰ When the BEW was disestablished in July 1943, Morgenthau seized the initiative, and soon eclipsed Hull as the American doyen of postwar

⁸⁷ Ragnar Nurkse, *International Currency Experience* (Geneva: League of Nations, 1944), 110.

⁸⁸ Ragnar Nurkse, “Notes on Price Policy.” June 21, 1941. Nurkse Papers. Box 2 Folder 7 PUA.

⁸⁹ *The Transition from War to Peace Economy* (Geneva: League of Nations, 1943), 11.

⁹⁰ Eckes, *A Search for Solvency*, 42; Oliver, “Early Plans for a World Bank,” 102; Pressnell, *External Economic Policy Since the War*, Vol.1, 78-95, 123; Penrose, *Economic Planning for the Peace*, 51-56.

planning. The broader expansionary aims that had framed discussion in 1941-42 began to fall from the center of discussion. New Deal internationalism became less and less popular among American conservatives, who criticized calls for global full employment as little more than Bolshevism. The New Deal itself had, by this stage, already undergone a process of deradicalization. Keynes, representing the far weaker bargaining partner of the two states, was eager to reach a workable agreement with U.S. officials, which put him in the position of sidelining the more ambitious ideas that were likely to be rejected by American legislators. While there was some further planning for a postwar buffer stock agency – this featured in discussions at the United Nations Conference on Food and Agriculture in Hot Springs, Virginia in May-June 1943 – it had become clear that the raw materials question was to be left to a future international trade organization and that enthusiasm for a separate agency was waning.⁹¹ British calls for restrictionist schemes were objected to by officials at the U.S. Department of Agriculture on the grounds that they would hurt U.S. producers, and were regarded by suspicion by others in the State Department, like Will Clayton, who were hesitant to embrace anything that violated free market orthodoxy.⁹²

But these ideas did not disappear completely. At the State Department, in particular, planning along these lines continued.⁹³ One scheme, developed from late 1942 through the spring of 1943, called for the creation of an “Economic Council” as an umbrella organization coordinating and overseeing the work of various technical commissions: an International Bank, International Raw Materials Authority, and an International Authority for the development of “backward areas.” Another plan called for an “International Economic Authority” to complement

⁹¹ Penrose, *Economic Planning for the Peace*, 82-86; Keynes, *Collected Writings* XXVII, 199.

⁹² P.G. Lee to C.S. Franks. October 4th, 1943. TNA T 160/1377.

⁹³ “List of Documents Prepared or in Preparation in the Economic Section of SR.” December 18, 1942. Pasvolsky Papers. Box 1. LOC.

a political “Over-all World Authority” and to oversee the work of technical agencies like an International Bank, International Development Authority, and Authority for International Commodity Agreements.⁹⁴ A coordinating council, staffed by representatives of fifteen member states hierarchically determined by their “importance” in the world economy, would direct the work of the various other bodies with the goal of ensuring full employment. This organization would not have powers of coercion over member states, and could only encourage them to coordinate their economic policies in line with international principles.⁹⁵ In February 1943, plans were also made for an international economic conference to design new “machinery and measures” to improve standards of living and maintain employment through the stabilization of economies, expansion of production and trade, and development of resources. It would deal not only with the “familiar questions” of tariffs and exchange rates, but also the newer problems of “economic improvement, avoidance of booms and depressions, coordination of financial policies, and international developmental programs.”⁹⁶ One State Department memorandum from October 1943 listed the priorities for postwar international cooperation as trade, commodity control, financial stabilization, international development, the improvement of transportation, telecommunications, nutrition, and labor standards.⁹⁷ The fact that the U.S. had so far only worked on two aspects of the postwar order – food and agriculture and monetary stabilization –

⁹⁴ “Document Entitled ‘Draft Memorandum for a United Nations Program for Freedom from Want of Food.’” Pasvolsky Papers. Box 1. LOC.

⁹⁵ Ruth B. Russell, *A History of the United Nations Charter: The Role of the United States 1940-1945* (Washington, D.C.: The Brookings Institution, 1958), 306-315; Notter, *Postwar Foreign Policy Preparations*, 472-532.

⁹⁶ “Proposed Agenda for an International Economic Conference.” February 24, 1943. Pasvolsky Papers. Box 1. LOC.

⁹⁷ “Bases of our Program for International Economic Cooperation.” October 6, 1943. Pasvolsky Papers. Box 1. LOC.

was seen as a problem, and it was still unclear whether these tasks would be performed by independent agencies or as part of a “comprehensive international organization”⁹⁸

Many different experts were busy at work on plans for such an overarching economic agency. Dennis Robertson, Lionel Robbins, Alvin Hansen, and the Stanford economist Bernard Haley had drafted a plan for an economic organization to co-ordinate the work of other bodies dedicated to, as Meade put it, “Money, Investment, Commodity, Commercial Policy, ILO and Food and Agriculture.” It would oversee the policies of national governments and various other international agencies with the aim of stabilizing employment.⁹⁹ In March 1943, Loveday had also provided Benjamin Gerig of the Division of Special Research at the State Department – who had himself worked at the League’s Information Section – with blueprints for a “central investigating and fact-finding body” to coordinate national full employment policies, commercial and monetary policy, the supervision and coordination of international commodity agreements and buffer stocks, and investment in “backward areas.”¹⁰⁰ (The less ambitious option would be to create some kind of weaker body, a “Central Economic Committee,” to coordinate the work of already existing organizations like the BIS and ILO.)¹⁰¹ Gerig also asked Condliffe for a blueprint of such an organization.¹⁰² Throughout the war, Loveday insisted that an overall coordinating body with authority for anti-depression and employment policies was necessary to realize plans for postwar commercial liberalization and financial stabilization. The “contradictory policies of competing departments or organs will create a state of chaos in the

⁹⁸ “International Activities in which the United States Must Participate to Re-establish and Maintain Peace and to Promote General Welfare.” Pasvolsky Papers. Box 1. LOC.

⁹⁹ Susan Howson and Donald Moggridge, *The Wartime Diaries of Lionel Robbins and James Meade, 1943-45* (Basingstoke : Macmillan, 1990), 130.

¹⁰⁰ Alexander Loveday to Benjamin Gerig. March 16, 1943. “Economic and Financial Organization.” LON C1633.

¹⁰¹ Martin Hill to Benjamin Gerig. 11 March 1943. LON C1633.

¹⁰² “Some Basic Questions Concerning the Draft Constitution of a Permanent Organization.” Condliffe Papers. Box 31. BLB. See also Condliffe, *The Reconstruction of World Trade: A Survey of International Economic Relations* (London: George Allen & Unwin, 1941), 386-394.

world in which no body charged with the co-ordination of policies for the maintenance of full employment can have the remotest chance of success.” Loveday called this the risk of “inter-institutional world chaos.”¹⁰³

In 1943, however, focus was moving squarely onto the plans Keynes and White had published that spring and summer. White had come under fire for being far too weak on the prospect of a postwar world depression and, in particular, for removing the mention of large counter-cyclical international lending that had been included in his first 1942 draft.¹⁰⁴ When White released his plans for an international development bank in November 1943, these were also criticized by British officials as an unambitious compromise crafted only with Congressional approval in mind.¹⁰⁵ American conservatives, on the other hand, strongly objected to the plans developed by Keynes and White for the 1944 Bretton Woods Conference, which they saw as a dangerous internationalization of New Deal principles. The irony was that these plans already represented a significant move away from the ambitious attempts to globalize macroeconomic governance that had been so popular from the late 1930s until that point.¹⁰⁶

The three expansionary ideas received their last significant wartime hearing at the major September-October 1943 meetings of British and U.S. officials in Washington, D.C. to discuss the Keynes and White plans. These meetings were the most important wartime economic negotiations between the American and British governments, and resulted in the groundwork being laid for the compromise joint statement that was finally agreed to in April 1944 and that provided the framework for the Bretton Woods Conference in July.¹⁰⁷ There were far more items

¹⁰³ Alexander Loveday to J.B. Condliffe. August 6, 1943. Condliffe Papers. Box 25. BLB.

¹⁰⁴ Eckes, *A Search for Solvency*, 82-84.

¹⁰⁵ Edward S. Mason and Robert E. Asher, *The World Bank Since Bretton Woods*, 12-13.

¹⁰⁶ Eckes, *A Search for Solvency*, 86-93.

¹⁰⁷ Pressnell, *External Economic Policy Since the War*, 116; Mason and Asher, *The World Bank Since Bretton Woods*, 12; Peden, *The Treasury and British Public Policy*, 342-

on the agenda than most have accounted for. One common theme was that four postwar institutions were needed: an international stabilization fund (the future IMF), an international investment bank (the future IBRD), an international commercial policy organization, and an international commodity organization.¹⁰⁸ In addition to these four, there would be the ILO, FAO, and UNRRA. Also necessary for global full employment and stability was a major program of international investment,¹⁰⁹ as well as an international advisory body to study the “harmonization of measures, national and international, for the maintenance of high levels of productive employment.”¹¹⁰ Meade did now admit, however, that it would be impossible to get states to commit formally to specific national policies.¹¹¹

Coordinating the work of all these agencies would be an umbrella organization – “to crown the various international economic bodies with something in the nature of a Supreme Economic Council to complete the edifice,” as Keynes put it, referring back to the organization created by the Allies in 1919 and on which he had briefly served.¹¹² An Advisory Economic Staff on this body would help coordinate domestic employment policies and advise governments on which policies would be beneficial to other states and which would export unemployment.¹¹³ Hansen suggested this overarching institution take charge both of coordinating domestic policies and the activities of the various international agencies, though he agreed it would be impossible for it to get involved directly with domestic policy-making. It could only play an educative,

¹⁰⁸ Pressnell, *External Economic Policy Since the War*, 116-128.

¹⁰⁹ War Cabinet. Anglo-American Discussions under Article VII. 22nd September, 1943. International Investment. Note by Mr. J.E. Meade. TNA BT 11/2215.

¹¹⁰ FRUS 1943 Vol. I, 763-768.

¹¹¹ War Cabinet. Discussions on Agenda under Article VII. 18th September, 1943. International Action for the Maintenance of Employment.. Note by Mr. J.E. Meade. TNA BT 11/2215.

¹¹² Discussion on Agenda under Article VII. Minutes of Meeting with Representatives of the Dominions and India, held in Washington on 12th October 1943, at 3.00 p.m. TNA BT 11/2215.

¹¹³ War Cabinet. Anglo-American Discussions under Article VII. Draft Minutes of the 10th, 11th, and 12th meetings of the Committee on Measures for Stimulating Commerce, held in Washington on 11th, 13th, and 15th October 1943. TNA BT 11/2215.

consultative, and advisory role. Robbins pointed out that this economic organization was needed to advise the “supreme political body” likely to be created after the war, so that the policies of the latter would not be designed without concern for their economic repercussions. Postwar governments around the world were bound to undertake various experiments in promoting full employment, Meade added, which meant that coordination of them by some international agency was needed to allow for a “common sanity to be arrived at more quickly.”¹¹⁴ Robbins worked on plans for an international commodity organization into 1944,¹¹⁵ and Keynes remained a strong backer of using “buffer stocks” to control the business cycle, which he preferred to public works.¹¹⁶ But in late 1943, these more ambitious policy discussions had lost their steam in the face of planning for the upcoming conference at Bretton Woods. Monetary stabilization was the most that could be achieved. The rest would be saved for after the war had finished – or, more likely, abandoned altogether.

This was the case with full employment, which was now taken up by representatives from small and primary producing states. The last major push to incorporate full employment guarantees into the postwar system came from representatives of the Australian Labour Government, who now became the most vocal advocates of this kind of expansionary international policy. During a February 1944 Commonwealth economic meeting in London, these officials had called for a British commitment to creating an International Employment Agreement. But Keynes led the charge against this view. While an advisory body helping to coordinate of expansionary policies on the world scale could be useful, Keynes insisted this

¹¹⁴ Informal Economic Discussions. Subcommittee on Employment Policies. Meeting held in the State Department. 5th October, 1943. TNA BT 11/2215.

¹¹⁵ FRUS 1944 Vol. II, 5-6.

¹¹⁶ *Ibid.*, 19.

was unlikely to play well with domestic constituencies. Hansen's ideas for international full-employment coordination had been rejected in the U.S., as the Administration had been hesitant to commit to an international mechanism tying its hands on domestic policy-making. American leaders were highly unlikely to accept advice coming from abroad.¹¹⁷ The idea of bringing a country that failed to live up to its full employment pledge before an international tribunal was seen as absurd, and had troubling anti-democratic implications, since politicians needed flexibility to respond to domestic political demands. It was anyway doubtful that reliable national statistics could be collected to show whether or not a state was fulfilling its employment promises, particularly from the U.S., where little employment data was collected.¹¹⁸ Keynes suggested that it was better to focus energy on the creation of buffer stock agency as a means through which "international influences could be brought to bear on national policies."¹¹⁹ An international organization, like the ILO, could also be given authority to discuss the domestic policies of governments, but that authority would never be binding.¹²⁰

Undeterred, Australian officials again attempted to put their "employment approach" on the agenda at the ILO's annual conference in Philadelphia in April-May 1944. ILO delegate J.A. Beasley suggested that an international agreement was needed binding its signatories to maintain a specific level of postwar employment. This was the only hope for small countries to escape the predicted postwar downturn, and now far more important than the policies traditionally thought of

¹¹⁷ "Draft Minutes of a Meeting held at 10.45 a.m. on Tuesday, 29th February [1944], in the Offices of the War Cabinet." TNA T 247/25.

¹¹⁸ "Article VII Discussions with Representatives of the Dominions and India. Committee on Employment Policy. Draft Minutes of a Meeting held at 2.45 p.m. on Monday, 6th March, 1944, in the Offices of the War Cabinet. TNA T 247/25.

¹¹⁹ FRUS 1944 Vol. II, 20-21.

¹²⁰ "Article VII Discussions with Representatives of the Dominions and India. Committee on Employment Policy. Draft Minutes of a Meeting held at 2.45 p.m. on Monday, 6th March, 1944, in the Offices of the War Cabinet. TNA T 247/25.

as central to international economics, like exchange rates and tariffs.¹²¹ These suggestions were strongly rejected by U.S. government representative Frances Perkins.¹²² The Administration had no interest in an international commitment to fully employment. A crucial precedent had been set: while scrutiny over national fiscal and financial policies was acceptable when weak states had to be disciplined for the sake of attracting foreign loans, a similar arrangement was unthinkable when it came to strong states committing to policies of expansion.

VI. Towards a New World Economic Order?

After the July 1944 United Nations Financial and Monetary Conference at Bretton Woods, work continued on plans for the creation of a new international organization to coordinate the work of the various different specialized technical agencies. The prospects were not looking good. In preparations for the Washington Conversations on International Peace and Security Organization, to be held at Dumbarton Oaks in August-September 1944, U.S. officials designed a new “General International Organization,” which included an economic and social council, staffed by representatives from 24 states, to issue policy advice and coordinate the work of the different technical agencies.¹²³ But at the conference itself, discussion about this new Economic and Social Council was vague and a relatively minor focus of negotiations. Soviet delegates were concerned that inclusion of any economic and social work into the remit of a new international organization would weaken its security functions, which they insisted had happened with the League of Nations. American officials pushed back against this view, and insisted

¹²¹ International Labour Conference. Twenty-Sixth Session. Philadelphia, 1944. Record of Proceedings (Montreal: International Labour Office, 1944), 30 ff.

¹²² Ibid., 260. S.J. Butlin and C.B. Schedvin, *War Economy 1942-1945. Australia in the War of 1939-1945* (Canberra : Australian War Memorial, 1977), 660-673.

¹²³ FRUS 1944 Vol. I, 664 ff; Notter, *Postwar Foreign Policy Preparation*, 595-606.

economic and technical questions be brought into the scope of the new international organization, which would not take direct responsibility for all of them, but rather work to coordinate and harmonize the functions of the various different agencies.¹²⁴ The Soviets eventually acquiesced,¹²⁵ though the new Social and Economic Council they agreed to would not be accorded status as a principal United Nations body, and the number of states it represented was lowered to 18 from the 24 proposed in the original American plan. American officials did not want to create any kind of general organization with powers of supervision over the other technical agencies. What they had in mind was an Economic and Social Council pooling ideas from these agencies and, on the basis of them, presenting advice “from the point of view of general welfare” to member states and other international agencies. This United Nations Economic and Social Council (ECOSOC) was to have an Economic Commission and a Social Commission helping to ensure conflicts between the work of other technical agencies were avoided. But it was to be a relatively weak organization, without any powers beyond advisory ones and unable to make any binding decisions for the other technical agencies or member states. This was based on the theory, as Pasvolsky put it, that “neither the new organization itself nor the specialized agencies will have powers outside of those of the governments which comprise them.”¹²⁶

The more grandiose plans for a powerful “Supreme Economic Council” were dead. Hansen insisted that ECOSOC take charge of coordinating all different policies needed for an expansionary world economy,¹²⁷ and Loveday continued to write up blueprints for an ambitious

¹²⁴ FRUS 1944 Vol. I, 735.

¹²⁵ Robert C. Hildebrand, *Dumbarton Oaks: The Origins of the United Nations and the Search for Postwar Security* (Chapel Hill: University of North Carolina Press, 1990), 86-93.

¹²⁶ “Summary Record of Meeting of the Presidents of National Engineering Societies with Acting Secretary of State, Edward R. Stettinius, Jr., and other Officers of the Department of State.” November 21, 1944. Pasvolsky Papers. Box 4. LOC.

¹²⁷ Hansen, *America's Role in the World Economy*, 130-133.

organization that would draw on vast stores of data from government offices to coordinate national full employment policies and the work of different international technical bodies.¹²⁸ He wanted to revive the old plans of creating centralized international organization for business cycle research, which he had first proposed in the spring of 1930. He called for a strengthened League of Nations-style economic institution to carry on the work his secretariat had pioneered in research, statistics, and business cycle analysis, but with expanded powers and competencies. Unlike the League, it would take a central role in advising government policy and a new mission: stabilizing world employment.¹²⁹ These ideas formed the core of the League's last major economic intervention. In early 1945, the Depression Delegation published a final report, which had been written between October 1944 and February 1945. Now that the Bretton Woods Agreement had taken care of the monetary problem, it argued, the work remaining to be done was in trade, counter-cyclical foreign investment, buffer stocks, and the worldwide coordination of national full employment policies.¹³⁰ Global liberalism would not survive if citizens were not guaranteed protection from economic instability and offered a real alternative to the nationalist solutions of the 1930s.

But Loveday was working in vain. Even British officials now objected to the creation of any new kind of powerful coordinating body, and saw Loveday's ideas as dangerous.¹³¹ There was no way that small countries like Liberia and Salvador could be given any say over policies that affected large countries.¹³² Buffer stocks were also dead. Only development would live on, though in a transformed shape.

¹²⁸ "Future International Economic Organization." LON P150.

¹²⁹ Ibid.

¹³⁰ *Economic Stability in the Post-War World* (Geneva: League of Nations, 1945), 199.

¹³¹ N.B. Ronald to Wilfrid Eady. 8th March, 1944. TNA FO 371/40747.

¹³² "International Economic Organisation." TNA FO 371/40747.

The last wartime attempt to include an international agreement to maintain full employment came at the United Nations Conference on International Organization held in San Francisco in April to June 1945, where delegates from smaller countries attempted to amend the UN Charter to have it include strong commitments on the part of member states to full employment. Many delegates were more concerned with the capacities of the new organization to guarantee social and economic welfare than with its security functions.¹³³ Leading this effort, again, were Australian officials, who had also attempted to include discussion on these plans at the Bretton Woods Conference, but to little avail. Given the dependency of primary producing countries like Australia on American economic activity, some of these officials argued, what was needed was development, buffer stocks, and U.S. full employment.¹³⁴ While they succeeded in putting the words “full employment” into the UN Charter in Article 55, these were, for now, only words. And U.S. officials strongly objected to them. Any agreement to promote employment seemed to imply that the new United Nations organization would attempt to shape the domestic economic policies of its member states, which would doom the passage of the organization’s draft charter in the Senate.¹³⁵ It was an entirely unrealistic demand. The delegation, as Texas Senator Tom Connally put it, should avoid “overloading the Charter with all these economic and social matters which were unattainable dream stuff.”¹³⁶ Republican members likened the idea to Bolshevism.¹³⁷ Pasvolsky went further, insisting that the idea that full employment was needed to maintain peace was “the most dangerous theory with which the United States had ever been diplomatically confronted.”¹³⁸

¹³³ Thomas Campbell, *Masquerade Peace: America’s UN Policy, 1944-1945* (Tallahassee: Florida State University Press, 1973), 189.

¹³⁴ FRUS 1945, Vol. II, 1330.

¹³⁵ “Jobs For All Stirs Hitch at Parley,” *New York Times*, May 21, 1945.

¹³⁶ FRUS 1945 Vol. II, 805

¹³⁷ *Ibid.* 804, 856.

¹³⁸ *Ibid.*, 924.

EPILOGUE

Despite the abandonment of some of these more ambitious wartime plans, the postwar international economic settlement represented a major achievement. The Bretton Woods Agreement was now binding the U.S. to the task of maintaining international economic stability, and the institutions it had established were unparalleled in their scope and powers. But in the immediate aftermath of the war, the prospects for these institutions were unclear. After heavy debate, the Bretton Woods Agreement was signed by Truman and ratified by Congress, and in June 1946, the U.S. agreed to a \$3.75 billion loan to Britain on the condition it ratify the Agreement and make the pound fully convertible. But by this point, the Soviets had made clear they would not be joining the new institutions. The IMF and IBRD held their inaugural meeting in March 1946 in Savannah, Georgia, but when the pound was made convertible in July 1947, Britain suffered such a severe currency crisis that wartime controls had to be reestablished within weeks. The worldwide shortage of dollars was proving a considerable obstacle to ambitions. The IMF was cautious about making major international loans in the face of the worsening payments crisis, and after the announcement of the Marshall Plan for Europe's reconstruction in June 1947, the IBRD had to look for a new mission.¹ The aim of restoring the world economy was ceding ground to Cold War imperatives. The Bretton Woods System would not be fully operational until 1958, when European currencies and the Japanese Yen were returned to convertibility. It lasted only until 1971.²

¹ Michele Alacevich, *The Political Economy of the World Bank: The Early Years* (Stanford: Stanford University Press, 2009).

² Harold James, *International Monetary Cooperation Since Bretton Woods* (Washington, D.C.: International Monetary Fund, 1996), 85-119; J. Keith Horsefield, *International Monetary Fund 1945-1965*, 121-230; Edward S. Mason and Robert E. Asher, *The World Bank Since Bretton Woods*, 36 -61; Stewart Patrick, *Best Laid Plans: Best Laid Plans: The Origins of American Multilateralism and the Dawn of the Cold War* (Lanham, MD: Rowman & Littlefield, 2009), 231- 266.

Plans to create an international commercial organization were also stymied. Anglo-American negotiations on commercial policy, originally based on James Meade's 1942 designs for a commercial union, had continued throughout 1945, and in October-November 1946, talks were held in London to write a draft charter for an International Trade Organization (ITO). American officials pushed for a thorough program of trade liberalization, but representatives from underdeveloped countries demanded permissions to use quantitative restrictions and other discriminatory measures to facilitate national schemes of industrialization. Australian delegates again pushed for international full employment measures and commodity price stabilization. U.S. officials were forced to concede. In subsequent meetings in Geneva starting in April 1947, where a first round of the General Agreement on Tariffs and Trade (GATT) was completed, delegates from underdeveloped countries and the British commonwealth continued to call for more provisions for development, employment, and the use of restrictions to be included in the ITO charter. Meetings in Havana from November 1947 to March 1948 ended with an agreement incorporating demands for employment guarantees and the use of discriminations, as U.S. officials were desperate to shore up an alliance of anti-communist states. But these concessions doomed the charter's passage in Congress when it was finally brought to a vote in April 1950. By this point, as conflict loomed in Korea, the strategic significance of trade liberalization waned, and plans for the ITO were shelved. It was never created in its original form. The more limited GATT remained the only international mechanism dedicated to the regulation of trade until the World Trade Organization was established in 1995.³

³ Richard Toye, "Developing Multilateralism: The Havana Charter and the Fight for the International Trade Organization, 1947-1948," *The International History Review* 25.2 (2003): 282-305; Thomas Zeiler, *Free Trade, Free World: The Advent of GATT* (Chapel Hill: University of North Carolina Press, 1999).

The twinned questions of development and international full employment measures continued to be debated at ECOSOC, which more than any other institution carried on as a direct legacy of the League of Nations – a legacy that was obvious to ECOSOC officials and the former League employees, like Loveday, whom they turned to for guidance.⁴ In August 1949, a resolution gave occasion for the British-Hungarian economist Nicholas Kaldor, a fellow of King's College Cambridge and on staff at the Economic Commission for Europe headed by Gunnar Myrdal, to provide the theoretical inspiration for a new treatment of the international unemployment problem. He and a group of experts were asked to direct a major study on the problem, which was published in December 1949 as *National and International Measures for Full Employment*. The report reiterated many of the basic commitments of postwar planners from the early 1940s: that the stability and expansion of the world economy were necessary conditions for the removal of trade barriers and stabilization of currencies; that muscular measures were needed to prevent the international transmission of fluctuations in demand; and that the development of underdeveloped areas would help achieve these aims. They offered a set of ambitious recommendations to ensure states fulfilled the full employment pledge of the UN Charter and for new international mechanisms to prevent the failure to do so from propagating deflationary pressures widely. New forms of international consultation were needed to help states harmonize national policies affecting their balance of payments. An expert group at the ECOSOC would set targets and design programs towards this end. Without the development of underdeveloped countries, the orderly growth of the world economy needed to facilitate this rebalancing would be impossible. A major expansion of the scope of the IBRD's developmental lending was necessary, as well as new programs of technical assistance led by the UN. The

⁴ See, for example, Gunnar Myrdal to Alexander Loveday. 14 April 1949. Alva and Gunnar Myrdal Archive. 405/3/2/2/8. Arbetarrörelsens arkiv och bibliotek. Stockholm, Sweden.

report also called for a major reform of the IMF: states experiencing serious deflation would now be required to deposit their own currency at the IMF, which would be made available for purchase by states whose exports had fallen off from the drop in external demand. This was not unlike the original Clearing Union plan that Keynes had developed in 1941 and that had been rejected by U.S. officials. Taken together, these measures were designed to ensure that the world was insulated from an American recession, and that the development of underdeveloped countries be part of a general strategy of world economic expansion and stabilization.⁵

In August 1950, ECOSOC officials called for another study on measures to deal with the interconnected problems of development, international full employment, and the international propagation of recessions. This resulted in a May 1951 report on *Measures for the Economic Development of Under-developed Countries*, which called for several different developmental measures to be undertaken by international agencies and under-developed and developed states.⁶ Anti-depression and development policies were still seen as intrinsically linked, as they had been in the late 1930s and early 1940s. A resolution that same month resulted in a follow-up report, *Measures for International Economic Stability*, which called for additional policies to insulate the world economy from the recession many feared would hit the U.S. after the rearmament push for the Korean War wound down. Should this happen, the policies recommended in the report on *National and International Measures for Full Employment* for maintaining the flow of foreign exchange would be helpful. But international commodity arrangements, like buffer stocks, were also needed to prevent wild swings in commodity prices and in the terms of trade faced by

⁵ United Nations. *National and International Measures for Full Employment* (Lake Success: United Nations Department of Economic Affairs, 1949).

⁶ United Nations, *Measures for the Economic Development of Under-developed Countries*.

primary producing states. While prices for these goods had shot up during rearmament for the Korean War, this was clearly not a lasting solution.⁷

These three major reports, while differing in emphases and tone, all reflected the persistence into the early Cold War of the consensus of the mid to late 1930s and early 1940s: on the need for mutually-reinforcing schemes of international demand management, development, and commodity price stabilization overseen by international agencies. “Until an economic mechanism has been found which will cushion the international impact of these disturbances,” it stated, “it is hard to envisage the restoration of a multilateral system of trading and investment which will help the resources of each region to play their most effective part in raising living standards everywhere.”⁸ While the plans of the 1949 report on *Measures for International Economic Stability* were popular with Clement Attlee’s Labour government, they came in for heavy criticism in the U.S. and had little immediate impact on policy. Both this and the report on *Measures for International Economic Stability* were rejected by the IMF and the IBRD.⁹ These proposals, Viner wrote in a harsh review of the 1949 report, would “undermine the foundations of what remains of a free market, free trade, free enterprise world.”¹⁰

But even among critics of these expansionary proposals, there was a widespread sense that the postwar settlement in its current form was unable to guarantee the kind of world economic expansion and stability that had been the goal of most postwar planners just years before. In a 1946 article, even Viner insisted that the postwar system had failed to provide any real way of dealing with the threat of mass global unemployment. The liberalization of trade

⁷ United Nations, *Measures for International Economic Stability* (Lake Success: United Nations Department of Economic Affairs, 1951).

⁸ *Ibid.*, 3

⁹ John Toye and Richard Toye, “How the UN Moved From Full Employment to Economic Development,” 16-40 and *The UN and Global Political Economy*, 87-109; Sean Turnell & Leanne J. Ussher, “A ‘New Bretton Woods’: Kaldor and the Antipodean Quest for Global Full Employment,” *Review of Political Economy* 21.3 (2009): 423-445;

¹⁰ Jacob Viner, “Full Employment at Whatever Cost,” *Quarterly Journal of Economics* 64.3 (1950): 385-407, at 407.

would do little towards this end, while utopian calls for the synchronization of national fiscal policies were highly unrealistic. Few states would relinquish this much power to an international authority or allow national leaders to bind themselves by international decree. What was needed, he insisted, was an International Employment Stabilization Fund, endowed with three to four times as much financial power as the IBRD, to provide counter-cyclical loans during times of world depression.¹¹

Loveday made similar remarks in a 1947 speech at Chatham House in London. He admitted that the IMF and proposed ITO would provide a useful “cordon sanitaire” to protect states from the full effects of depressions transmitted from abroad. But these two institutions were too weak to fully “dam back” the deluge of a major downturn, and they offered few constructive proposals like the schemes developed by the Depression Delegation for counter-cyclical lending and buffer stocks. There were high stakes to getting this right: if a major depression hit the United States by 1948 or 1949, France was sure to fall to communism, followed by the rest of the West shortly thereafter.¹² The mechanisms in place to prevent this threat were too weak: the UN full employment pledge, and the employment policies called for in the Charter of the ITO, were merely “expressions of good intentions.” And it was doubtful the Economic and Employment Commission of ECOSOC would accomplish much. Loveday called for an institution, like the one he had helped to oversee at the League, that would work to coordinate the national policies of states in ways that Salter and others had dreamed of but never fully realized. This would require, first, “a really first-class section of the Secretariat following the fluctuations in business activity all over the world, following the policies of Government all

¹¹ Jacob Viner, *International Economics* (Glencoe: The Free Press, 1951), 332-336. See also Eugene Staley, “The Economic Side of Stable Peace,” *Annals of the American Academy of Political and Social Science* 240 (1945): 27-36.

¹² Alexander Loveday to Joseph Willits. 6th December 1946. LON P150.

over the world, and seeing how far they are likely to affect the economic position and, at the same time, prepared to put forward suggestions.” It would also need “a small committee of experts, the best brains you can find in the world, people who are not bound by Government instructions,” as well as

a really high-powered Government committee, which should be small in size, composed of representatives from those countries which have a real influence on the economic activity of the world – mostly industrial countries. The committee should be composed of the type of person whose job at home is to try to co-ordinate the work of the various domestic ministers in so far as that work affects full employment. That committee would therefore be composed of people who could speak with authority and could agree joint policies – of course, ad referendum – and who would be people with enough influence at home to give one some assurance that there was strong probability that the policies that had been agreed would be accepted and would be ultimately carried out. It should be a body which would be prepared to meet promptly, if need arose, and to act promptly afterwards, and it should – of course – be empowered to convoke larger conferences if such inferences proved necessary.¹³

The question that had first come to seem so crucial during the Great War had still not been fully answered: how could mechanisms be created to coordinate national and international forms of administration and economic governance? While it was unclear whether this could ever be achieved in full during times of peace, the attempts to do so across the interwar years had dramatically transformed practices of international administration and the management of capitalism.¹⁴

Extraordinary progress had been made during these intervening years in building up national institutions of economic governance, and this provided some hope that international governance could now be expanded as well. Loveday described how the growth of the American administrative state and its agencies would help to realize the procedures of international coordination that were necessary, he thought, to finally solving the problem of world depression:

¹³ “The United Nations and Full Employment.” 17th April 1947. Loveday Papers. Box 24. NCO.

¹⁴ “The United Nations and Full Employment.” 17th April 1947. Loveday Papers. Box 24. NCO.

In February, 1946, an act was passed by Congress in the United States dealing with this question of full employment. Under that act, three advisers were appointed... Their job will be to gather information about the economic situation, to appraise the programmes and policies of the Federal Government, to review them and to see what effect these policies and programmes are having on economic activity, and, finally, to make recommendations. They will make their recommendations to a committee of the two Houses... This committee will be non-party; that means, in fact, a committee of both parties, and from the parties in both houses. This committee, which will be charged with this general question of employment policies, will elect its own President. It seems to me obvious that the appropriate representative on this inter-governmental committee for the United States Government would be the President of this Congressional Committee, and similarly in other countries. If they have not got such an organization they could set up something similar, some organization for the co-ordination of domestic economic policies. The person who is responsible as political leader of that co-ordination at home is the person who ought to be on this small and powerful international body.¹⁵

The American state, now in possession of a rational and powerful economic bureaucracy, provided a model for other states to follow. Once they did, a true world economic administration could finally be established.

In the 1950s, Gunnar Myrdal offered one the most powerful criticisms of the postwar settlement along these lines from his position of authority at the UN's EEC. Not only had this settlement failed to live up to the constructive ambitions of wartime planners, but it was also holding back what Myrdal saw as the inevitable historical progression towards the internationalization of economic control. The twentieth century, he argued, had seen a dialectical movement from the international, to the national, to the synthesis of the two. The highly integrated "partial world economy" that had existed before 1914 was destroyed during the war and its aftermath, as states took on unprecedented powers of intervention in their national economies at the behest of organized social groups. This accelerated the process of "national integration" already underway. As people came to expect welfare and employment as the basic guarantees of their citizenship, the prewar world economy, founded on the gold standard,

¹⁵ Ibid.

receded further and further from view. For Myrdal, it was a tragic fact that the consolidation of the national welfare state had come at the cost of international disintegration. But he insisted nationalism and internationalism could be reconciled if more powerful international administrative structures were created. These were needed to coordinate the national policies of states so that the policies of one would not hurt the position of any other. The world economy still had to undergo a process of institutional integration that mirrored what had been achieved on the national level earlier in the century. Over the long term, the emergence of a “welfare world,” according to Myrdal, was an historical inevitability.¹⁶

During the war, Myrdal wrote, “when thinking and planning were free and courageous and when illusions had unhampered play, a great effort was made to build up for times of peace a structure of international organizations that would effectively coordinate national economic policies on a world scale.”¹⁷ From the vantage point of the Cold War, these wartime plans now looked premature. Even the international bodies that had been established were not allowed to function as they should, and the world was left without effective international economic organization. Echoing the belief of so many during the early 1940s, Myrdal insisted that trade and financial liberalization would not be durable without effective international mechanisms of business cycle stabilization and means of guaranteeing full employment. These had been the dream of wartime planners, but had been achieved in only an attenuated form at Bretton Woods. Myrdal insisted these wartime plans had failed because the U.S., now the sole capitalist superpower, would have had to take almost total responsibility for them. This was an unfeasible burden.

¹⁶ Gunnar Myrdal, *An International Economy: Problems and Prospects* (New York: Harper & Brothers, 1956), 17-88.

¹⁷ *Ibid.*, 5.

While states around the industrialized world had seen an extraordinary process of national economic integration over the previous few generations, culminating in the creation of the welfare state, this process was being held back on the global level. If it were to continue, poor countries needed to be given a louder voice at the bargaining table, and institutions needed to be created that performed the same kind of redistributive functions on the world scale that the welfare state did on the national. Foremost among these functions would be commodity price stabilization and massive countercyclical international lending – two policies that, during the early 1940s, almost everyone agreed were needed. At the United Nations in the 1950s, there were more and more calls, particularly from states outside the rich north, for measures of development and price stabilization to ameliorate their unfavorable terms of trade that drew on the language of welfare-state-style redistribution but now on the world scale – ideas that had emerged first in the 1930s from institutions like the Depression Delegation. In order to prevent a global conflict between the haves and the have-nots, the world economy needed to be managed in the same ways that states now controlled their national economies. The creation of this “welfare world” could have already been possible, Myrdal insisted, “*if the world were a better one, more like the one people expected when war was still being waged.*”¹⁸

Whether or not history was trending in the direction Myrdal imagined, he was right to insist that the internationalization of the powerful tools of national economic governance developed in the first half of the century was being held back by the politics of the Cold War. The coming decades saw the continued expansion of laws and institutional mechanisms to regulate the global capitalist system, and various attempts, mostly led by Third World states, to

¹⁸ Ibid., 222-298.

rewrite the rules of the international economic order. But the robust global institutions Myrdal called for were never created, and the world economy has yet to be fully governed.

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