5. The Wheat Crisis of the 1930s

Summary

By the late 1920s the international wheat trade was in crisis. As production from the New World increased, traditional importers in Europe encouraged domestic production and placed high tariffs on imports. Prices for European consumers rose, export prices fell and growers and governments suffered. McDougall had been involved in international discussion of agricultural problems as a member of the League of Nations Economic Consultative Committee, and one of a group of ‘experts’ chosen to advise the League on agricultural problems. He became familiar with statistics produced by the International Institute of Agriculture in Rome and developed a broad understanding of worldwide agricultural production. He protested against Eurocentric views and saw himself as spokesman for the world beyond Europe. He began to argue for a more rationalised system of agricultural production and for enabling greater consumption of nutritious foods by raising standards of living. Not yet ready to abandon imperial cooperation, McDougall wrestled with the difficulty of reconciling this international outlook with British aims to protect domestic wheat production while avoiding conflict with the dominions. He suggested special treatment for British wheat.

As the crisis in exporting countries worsened, the only solutions raised involved restriction of production. In 1933 a special conference on wheat was held in conjunction with a League-sponsored Monetary and Economic Conference. Bruce, then Resident Minister in London, led the Australian delegation, mediating between pressure from the conference to institute crop and export restriction and reluctant Australian governments. An agreement reached after some days of tension established a Wheat Advisory Committee, on which McDougall represented Australia. Cooperation with restrictions proved impossible to enforce; the wheat crisis was only solved by drought in North America.

The Crisis

Wheat...is a commodity of the greatest economic importance, and yet in certain countries...it is a crop that exercises a psychological influence even greater than is warranted by its almost unique position in world trade.¹

At the time McDougall wrote these words, the value of world wheat production as a whole was exceeded only by that of rice. Its value as an internationally traded commodity was higher than all commodities except raw cotton. Yet only 18 per cent of all wheat produced in the world entered international trade. Many countries took extraordinary measures to safeguard domestic production of this staple food. By the end of the 1920s domestic prices were rising in those countries and the wheat export market was facing a crisis. The British Empire produced more than half the world’s export surplus; it was not a problem amenable to solution by an imperial tariff policy.

Four wheat exporters—Canada, Argentina, Australia and the United States—produced some 90 per cent of total world wheat exports in the 1920s. Their rapid growth as wheat exporters since the late nineteenth century had followed similar patterns; Canada led with exports of wheat and flour worth $10.9 million in 1901, $33.5 million in 1921 and $495 million in 1929. Expansion in all four depended on similar political and technical factors: land settlement and migration policies favouring agriculture; development of wheat varieties suitable for climates more extreme than those of Europe; expansion into lands suitable for the use of agricultural machinery; provision of cheap transport by railway and steamship; and increased demand from Europe as a result of World War I. Wheat-growing constituencies wielded considerable political power, except in Argentina, where cattle-owning landlords were dominant and wheat was grown mostly by non-national, immigrant, short-term tenant farmers. There were other differences: the United States, with a large home market and complex economy, depended less on primary exports; the other three needed income from those exports to finance further development and imports. Wheat was the chief export of Canada and Argentina, both exporting about two-thirds of their crop; the pastoral industry predominated in Australia. Canada and the United States, with well-developed storage systems, were not under pressure to export all their surplus. In Canada, Federal Government control, established during World War I, was replaced in the early 1920s by prairie wheat pools, based on cooperative marketing principles and responsible for marketing more than half of prairie wheat. In the interwar years Canada supplied more than one-third of world wheat exports and Argentina about one-fifth. US wheat exports fluctuated from almost one-quarter in the 1920s to less than one-tenth in the dust-bowl years of the mid 1930s; for some of those years the United States was a net importer. Australia’s share rose to almost one-fifth in those years—from a more normal contribution of just more than one-tenth. See Tables 2 and 3.

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2 Ibid., pp. 524–5.
Table 2 Wheat Exports of the ‘Big Four’ as a Percentage of the World Wheat Trade: Five-Year Averages, 1922–37.

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Table 3 Wheat Exports of the ‘Big Four’ in Millions of Bushels: Five-Year Averages, 1922–37.

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<td>1932–37</td>
<td>214.5</td>
<td>138.6</td>
<td>1.9</td>
<td>109.8</td>
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Six European countries had traditionally supplied the European market. Russia (as McDougall and many contemporaries still called the Soviet Union) had been the world’s chief wheat exporter until 1914. Edmund de Waal records that his ancestors, the Ephrussi family, had once been based in Odessa, where in the nineteenth century they cornered the market in the Ukraine—the largest grain producer in the world—shipping it across the Black Sea and up the Danube River through Europe. Members of the family settled in Vienna and Paris where they were known as les Rois du Blé. They diversified into banking and infrastructure, maintaining an opulent lifestyle comparable with that of the Rothschilds.6 The other five European exporters were Bulgaria, Hungary, Romania, Yugoslavia and Poland.

Russian wheat did not re-emerge on the market until 1926; for three years after that it represented up to 1.3 per cent of world exports, but the proportion rose suddenly in 1930–31 to 7 per cent. Official statistics—not necessarily reliable—suggested production had increased from 1929–30 by an amount equal to Canada’s annual total. McDougall believed that Russia was under the same pressures to sell wheat as other exporters. The Five-Year Plan required money from exports for machinery and raw materials. Although there was scope for greater internal consumption, it seemed likely that Russian wheat exports

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would continue to increase. The rise in Soviet exports was short-lived: forced collectivisation, terror, repression, near civil war and famine removed Soviet wheat from the competition, though not from the fears of outsiders.8

The wheat problem continued to worsen nevertheless. A widespread bumper crop in 1928 exceeded world demand by an estimated 100 million bushels. The resulting carryover formed the basis of a surplus that would undermine trade well into the 1930s.9 Exporters and many importers continued to encourage production. The other five European exporters had adopted postwar ‘agrarian reform’ policies, breaking up large estates to establish peasant holdings with higher costs of production. Their governments sought to maintain a reasonable living standard for peasant farmers, leading to proposals for inter-European tariff preference.10 One study concluded that ‘farming in Europe…is a tradition, a way of life, a civilization, and any attempt to regard it merely from the cash aspect must fail’.11 McDougall wrote of the ‘cult of wheat’, in which the peasant was recognised as a stable, conservative element of society:

No one can begin to grasp the world wheat situation unless he clearly recognises that European countries will do everything to maintain the peasant, and that wheat together with other cereals in Eastern Europe and sugar beet are the mainstay of the peasant.

The continental European attitude towards the oversea wheatgrowing countries is that they are upstarts, whose farmers, aided by the biologist and the agricultural engineer, threaten the foundation of society.12

Wheat production was supported, for similar reasons, in European importing countries. Tariffs against cheap overseas wheat appeared in the 1890s, their purpose to protect local producers from ‘the ruin of the culture of the soil’ and to encourage ‘a wise and harmonious balance’ between industry and agriculture.13

In the late 1920s European exporters and importers alike encouraged consolidation of acreages with government-assisted finance and debt reduction, and technologies to increase yields. French tariffs rose rapidly from the mid 1920s, supported by milling quotas and price and import controls. By 1929 France had an exportable surplus. Neither Italy nor Germany reached export

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13 Malenbaum, World Wheat Economy, p. 158.
status, but tariffs in both also rose steeply. Mussolini’s ‘Battle of the Wheat’ began in 1925 with research, agricultural extension work and land reclamation as well as milling quotas, financial assistance and price and distribution controls. There were similar measures in Germany and in other European countries. Inevitably, stocks accumulated in North America and world prices fell. As tariffs rose even higher, consumers in European countries paid almost double the world price and were forced to reduce purchases of more costly foodstuffs. Growers in the overseas exporting countries suffered reduced incomes; their purchases of other commodities declined.

Figure 11 Tariff Levels on Wheat in France, Germany and Italy.


**International Consultation**

McDougall’s experience of international consultation had begun late in 1928 when he was appointed to the Economic Consultative Committee (ECC) established by the International Economic Conference called by the League of Nations in 1927. At first he saw himself as spokesman for the developing industrial economies of
the British dominions, countering the attempts of established European powers to use the League of Nations to lower trade barriers. He also sought to have the work of both the League and the International Institute of Agriculture serve the needs of his imperial vision, in ways less threatening to dominions’ commercial policies. The crisis in agricultural prices soon led him to focus on the difficulties of ‘overseas’ producers of cereal crops on a large scale and on the problem of low wheat prices crippling the international economy as a whole.

Through the ECC, McDougall had encountered concerns about the International Institute of Agriculture (IIA), which had been established in 1905 under the auspices of the Italian Government to collect agricultural statistics and technical and economic information. McDougall found IIA publications unsatisfactory and was interested in discussions about relations between the Institute and the League, which had produced a more impressive range of statistics. He was invited to join a new IIA committee on agricultural economics, and persuaded Bruce that the League must concern itself with agriculture and therefore work to reform the Institute.14

He was also a member of the ECC’s agriculture subcommittee, which, in 1929, recommended setting up a body of agricultural experts to advise the League on questions of commercial and economic policy affecting agriculture. The recommendation was opposed by Italy; McDougall’s compromise proposal, that the advisory body be considered a temporary expedient, was unacceptable to agricultural countries like France. In subsequent discussion between the Institute and the League, it was agreed to establish a list of experts familiar with general problems of the agricultural economy. The experts could be involved ‘according to the nature of each problem to be studied’ in consultations between Geneva and Rome’.15 The list, comprising experts connected either with the League or with the IIA, included McDougall.

Thus, in January 1930 he was part of a group summoned by the League to consider general agricultural problems, their allocation between the League and the Institute and, in particular, the problem of cereals. The group spent much time analysing the complicated causes of the agricultural depression, but a draft report did not win unanimous approval. McDougall, ever the eager draftsman, spent an evening rewriting passages, with the intention of submitting it to the group the next day. A misunderstanding led to his redraft being sent to all members, who took it as a substitute for the disputed draft. Some were happy

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14 LFSSA, 215, 27 February 1929, pp. 749–51; NAA, M111, Bruce to McDougall, 30 April 1929.
to accept it, others wanted changes, Britain and Czechoslovakia objected.\textsuperscript{16} McDougall was doubtless embarrassed and probably learned something of the extra difficulties of operating in the international sphere.

His amended draft is worth consideration nevertheless, as it shows important new ideas emerging and older ones developing. He approved emphasis in the original on a principle enunciated in 1927—‘the interdependence of all branches of economic activity’—and he agreed that ‘agricultural prosperity is a first condition for industrial development and profitable trade between the nations’. The original draft listed problems of ‘immediate urgency’. He accepted the first, point (a), that increasing production brought about by the application of science to agriculture had the potential to create severe international competition, with high prices for consumers but low returns for producers. Point (c) urged assistance by further study of agricultural credit, including producers’ and consumers’ cooperatives. McDougall added to that list government financial assistance, means to regulate price fluctuations, and reductions of labour costs through mechanisation.

His treatment of point (b) is significant. The original dealt with the threat to traditional markets from ‘the uncontrolled overproduction of…certain countries peculiarly adapted to the cultivation of certain crops’—that is, the burgeoning cereal exports of the New World. McDougall’s version reads, in part: ‘the experts are convinced that steps must be taken to secure a more rational system of production throughout the world and also to ensure the spread of the idea of orderly marketing into the arena of international trade’ (emphasis added). A first step must be ‘a better supply of information…prepared and published by an international authority’ and based upon ‘full and reliable’ national statistics ‘as far as possible…compiled upon a comparable basis’. He listed desirable categories of figures beyond those already provided: the trend of demand, quantities of stocks held, tendencies in certain countries to substitute some products for others; early information on prospective crop yields, statistics of animal stocks and information as to average costs of production. The last would be challenging, but would enable administrators to ‘form an estimate of the comparative advantage enjoyed by their country’ in regard to specific crops. To this section McDougall added a point new for him:

...the agricultural experts believe that one most important method of improving the position of agriculture throughout the world would be through the gradual raising of the standard of living of the peoples

\textsuperscript{16} Archives of the League of Nations, Geneva [hereinafter LN], 1928–32, 10D 17138/12676. Note in particular, McDougall to Stoppani, 5 February, and reply, 11 February 1930.
of Asia and Africa. This would lead to a larger demand on the more nutritious and palatable foodstuffs and would directly or indirectly assist agriculture in all countries.\footnote{Ibid. The printed draft, with McDougall’s handwritten additions and alterations, is dated 8 January 1930.}

This document shows that by early 1930, after a brief apprenticeship in international organisations, McDougall had achieved a considerable understanding of the scope and complexity of the problems of international agriculture. In terms of the development of his thinking, the essentials of his most important idea were already there. The ‘marriage of health and agriculture’ would depend upon both increasing consumption of ‘more nutritious and palatable foods’ and rationalising agriculture.

Later in 1930 the ‘experts’ were asked to supply an account of some 10 or 20 pages on various aspects of the ‘situation in their respective countries’, with a view to possible publication. McDougall protested, asserting the importance of a universal perspective, questioning the value of ‘a series of uncorrelated statements’ by a panel comprising 17 European representatives and five overseas states, without important agricultural producers like the British and Dutch colonial areas, China, Brazil, New Zealand and South Africa. It was essential to have ‘the fullest information upon agricultural conditions and prospects in Russia in view of the increasingly significant and novel part which Russia is likely to play in the world situation of the near future’. The committee could be open to a charge of giving ‘but superficial consideration to a most fundamental problem in economics and of taking an extremely narrow and localised view of what is a world international problem’.\footnote{LN, 1928–32, 10D 16685/12676, McDougall to Stoppani, 28 November 1930.}

McDougall objected to a statement in a later draft report to the League Council that ‘the majority of experts believe that restrictions of sown areas will be imposed by hard realities in every country’. He argued that in France, Italy and Germany ‘wheat is now sheltered behind extremely formidable tariffs [so that] the hard realities of the situation will not have any substantial effect upon the individual wheat grower’ who in France would receive twice the price received by his counterparts in Canada, Argentina or Australia. He wanted the paragraph altered to point out that ‘hard realities’ would cause restriction of production in ‘the very countries where the cost of production is lowest’.\footnote{Ibid., 10D 26670/2016, McDougall to Secretary, LEC, 13 and 15 March 1931.} His protests apparently brought about a new draft, which, he was told, was ‘in no small degree the result of your inspiration’.\footnote{Ibid., 10D 30344/22556, draft sent to McDougall for comment on 1 August 1931.}
McDougall had been the spokesman for the overseas empire on imperial bodies, now he saw himself as, and was becoming in effect, the spokesman at the League for the world beyond Europe:

At present I am really worried over the tendency of the League of Nations to concentrate its economic work on purely European problems and I think I should be particularly well qualified to see that the Second Committee of the Assembly took due note of the growth of this undesirable tendency.21

**British Agricultural Policy**

In Britain, meanwhile, agricultural policy had become a matter for intense political discussion by 1929. In opposition, the Conservative Research Department under Neville Chamberlain tackled agricultural policy, attempting ‘to shape the still rather vague concept of Imperial rationalisation into a definitive planned form’. Wheat production at home could be rationalised by subsidies to efficient British producers. The import market might be regulated by a quota system, which would have the advantages of providing a lever in trade negotiations with other countries, of avoiding food taxes and of allowing wheat imports from Argentina, thought necessary to avoid retaliatory measures against British investments there.22 Chamberlain’s policy was supported by many business and empire lobbyists, though not by Beaverbrook, who had transformed his empire free trade campaign into one of support for British agriculture and cheap food.23 In negotiations surrounding the 1930 Imperial Conference, it became clear that British millers would support a quota scheme only if they were offered protection against imported flour. Agreement to such protection would risk the Conservatives being drawn ‘into conflict with importers, consumers and the Dominions’.24

The Labour Government settled, uneasily, on support for state trading in grains through import boards and bulk purchase.25 Late in 1930 the Conservatives supported in principle the Labour Agricultural Marketing Bill for elected commodity boards with the power to buy and sell at fixed prices. The Conservatives also embarked on a new strategy of gaining industry support by offering measures of agricultural protection, including safeguarding against unfair competition and long-term contracts, as a *quid pro quo* for organisation.26

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21 NAA/CSIR, A9778, M14/31/5, McDougall to Rivett, 4 June 1931.
23 Ibid., pp. 100–4, 113–24.
24 Ibid., pp. 106–8.
25 Ibid., p. 103.
The new National (all-party) Government formed in August 1931 ‘sanctioned a relatively high degree of state involvement in agricultural policies’. Government was involved in agricultural rationalisation through ‘independent’ boards with discretionary powers, marking ‘a turning point in British farming’.27

McDougall had sufficient contacts to keep him informed of these political manoeuvres; he may well have contributed to them in private discussion. It is not surprising, therefore, that in the early 1930s he extended his earlier ideas on rationalisation of imperial industry and science to the complex and controversial problem of agriculture, aiming, like Chamberlain, to achieve ‘maximum efficiency…having regard to the natural advantages of constituent parts for supply of particular commodities’. His memoranda written in advance of the imperial conferences of 1930 and 1932 took into account ‘two vital factors in British prosperity’: cheap food and raw materials, and a prosperous agriculture in both Britain and the wider empire.28 In ‘An Empire Agricultural Policy’, McDougall advocated a variety of ‘instruments of rationalisation’: preferential tariffs, bulk purchase, import controls, anti-dumping legislation and ‘indirect measures’—credit facilities, research, market intelligence, consumer education and ‘discouragement of uneconomic agricultural development’. Selection of method would be based on the needs of particular industries established in studies conducted before implementation. Efficiency should be a condition of all assistance. Wheat was an exception, though, and the principle of natural advantage should not apply. Although British wheat cost much more to produce than Canadian or Australian, it should be supported for ‘reasons of national psychology and agricultural employment’, perhaps by a guaranteed price or by a compulsory minimum percentage of English wheat for milling. As total empire wheat production was three times the British requirement, the solution was not a tariff, but it could be ‘inter-imperial marketing co-operation’.29

Agricultural rationalisation along these lines would stimulate rural industries overseas, encourage animal industries in Britain and protect against dumping of agricultural goods on the British market. Empire farmers would gain greater purchasing power, enabling them to buy more British manufactures. McDougall expected Britain to use its dominance as a market for primary products to bargain for a predominant share of dominions’ industrial imports. He did not think that dominions’ industrial development would necessarily reduce their demand for British manufactures. He expected any tariff-related increases in food costs in Britain to be negligible in comparison with their benefits to British industry and employment.30

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27 Ibid., pp. 143–5.
29 Ibid., pp. 10–23.
30 Ibid., pp. 11, 15, 27–9.
‘An Empire Agricultural Policy’ spelled out a program for the 1930 Imperial Conference to initiate. It represented the ‘sheltered markets’ idea in its final form, concentrated and rationalised, taking account of all that McDougall had learned and experienced since 1925, of politics, world markets, specific commodities and of patterns of supply and demand. The memorandum was filled with facts and figures. But on the hard questions of conflicting imperial interests it offered little.

McDougall wrote ‘Home and Empire Agriculture’ late in 1931 for Sir John Gilmour, Minister of Agriculture in the new National Government. Its argument was similar to the one he had made in 1930: there was little competition between home and empire; policies benefiting one would help the other; and an empire agricultural policy should not increase the costs of British manufacturing. Most of the memorandum discussed details of the application of a tariff policy to particular agricultural commodities. He noted at the end that he had given little attention to Indian or colonial agriculture; these could be helped by applied research, market intelligence, agricultural education and effective transport.31 A second paper written for Gilmour considered means of combating the ‘bogey of over-production’ in a time of depressed commodity prices and ‘revolutionary’ changes in agricultural production. McDougall predicted increased demand, once confidence was restored, for animal products, fruits, vegetables and raw materials. He suggested efforts to increase milk consumption, in the interests of public health, ‘as has been overwhelmingly demonstrated by the large-scale experimental feeding of Scottish school children’. The decline in demand was not caused by oversupply, he argued, but by financial maladjustment.32

These memoranda were carefully considered and well received in the Ministry of Agriculture and Fisheries (MAF). Admired for the extent and thoroughness of their coverage, they seemed sympathetic to the British point of view. H. L. French concluded, ‘if all the representatives from the various Dominions were as reasonable as Mr McDougall and equally capable of understanding the problems of home as distinct from Dominion agriculture, the task of reaching a satisfactory agreement at Ottawa would be greatly reduced’. H. E. Dale acknowledged, despite his differences on some points, that the memoranda ‘are…thoroughly worth reading…they disclose a very reasonable attitude of mind on the part of Mr McDougall’.33 They also show his ideas developing towards the ‘marriage of health and agriculture’.

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31 UKNA, MAF 40/17, ‘Home and Empire Agriculture’, 14 December, with covering letter to Gilmour, 15 December 1931.
33 Ibid., Minute, H. L. French, 4 March; H. E. Dale, 6 April 1932.
Overseas Exporters

Governments in overseas exporting countries were attempting to deal with the wheat problem. In Australia there had been three successive poor seasons by 1930, as overseas markets slowed and prices fell. Much arable land was in fallow, the balance of payments was in deficit, the flow of capital had stopped, and interest and debt repayments were at risk. Federal and State governments resorted to the traditional remedy for low commodity prices: urging farmers to ‘Grow More Wheat’. Farmers responded eagerly, encouraged by a federal Bill introduced in April 1930 to guarantee 4 shillings (48 pence) per bushel for wheat delivered to railway sidings, and to establish federal and State marketing boards and a compulsory wheat pool. Many borrowed to plant more. Wheat acreage increased that sowing season by 21 per cent, yielding a record 213.6 million bushels—an increase of 30 per cent.34

The proposed price guarantee evaporated in political wrangling. State Governments in Western and South Australia opposed a provision that States share in the liability, the Federal Opposition objected to the implied socialisation and the Senate rejected the Wheat Bill. State legislation for compulsory wheat pools in Victoria and New South Wales failed to gain the consent of sufficient growers. As world wheat prices continued to fall, the Scullin Government rejected a suggested flour tax because it would increase the price of bread. A Wheat Advance Bill hastily passed in December 1930 guaranteed 2/6d per bushel (30 pence) for the 1930 crop, without compulsory pools or State liability. The Commonwealth Bank refused to advance the funds, arguing it could not be guaranteed against loss. A new Wheat Bill in March 1931—proposing a £3.5 million bounty on the 1930 crop with another £2.5 million in aid to farmers, to be financed by fiduciary notes redeemable by a later loan—was rejected by the Senate, as was a Wheat Marketing Bill providing compulsory pooling and higher-priced flour. In September 1931, attempts to compensate farmers for losses from the ‘Grow More Wheat’ campaign were officially abandoned. Farmers received approximately 20 pence per bushel, instead of the 48 they had expected on planting. Many (at one estimate, 20 000) were forced off their land; country businesses were bankrupted; it was ‘one of the greatest disasters in Australian economic history’.35

Australia was not alone. Robert Holland suggests that the wheat problem in Canada altered the imperial relationship. Canadian growers had borrowed heavily to fund the expansion and mechanisation underlying wartime increases in production, encouraged by federal control of prices and marketing through

a Wheat Board. When prices fell in 1920, the board was dismantled and many were ruined. The outcome was establishment of producers’ wheat pools in the mid 1920s. The concept, writes Holland, was ‘developed in the hothouse world of American agrarian radicalism’; operation of the pools in Canada threatened ‘the fabric of imperial collaboration between Liverpool and Medicine Hat, apparently seamless for so long’. The pools aimed to keep prices high by limiting supplies. Wheat, written by agricultural economists W. W. Swanson and P. C. Armstrong, and published in Toronto in 1930, supported the pools. The authors predicted that organisation and storage infrastructure would eventually develop in Argentina and Australia, to redress what was perceived as an imbalance of power between importers and widely dispersed sellers. Buyers, meanwhile, relied on the mounting costs of maintaining wheat surpluses to work in their favour. British millers, led by James V. Rank, began to combine and rationalise while conducting ‘a bitter publicity drive against “the monopolistic” pools’.

Canadian wheat pools hedged their advances to growers through bank loans. Rapid price decline in 1930 during ‘the great Soviet wheat dump of 1930–31’ led to fears that banks would demand liquidation of stocks in the open market. Prairie premiers, ‘all heading farmer-dominated parties’, guaranteed the funds, on the pools’ undertaking to repay any government losses. Prices continued to fall; the Provinces sought federal guarantees, first refused by the new Bennett Government, but later agreed without parliamentary approval. Attempts to reform the pools failed: in August 1931 all three provincial pools withdrew from the central selling agency, owing their governments a total of $24.3 million. By November 1932, 75 million bushels of wheat were in store but federally supported measures to withhold wheat from sale failed to hold the price above 50c per bushel; bank loans taken out by the pools in 1929 had posited a price of $2. By 1933, the gross value of agricultural production in the prairie Provinces had fallen from approximately $1 billion dollars in 1926–27 to $163 million. The west became an area of net emigration: ‘Pitiful caravans of destitute families, carrying the remnants of their belongings, trekked away from shattered dreams.’ In the United States, large unsold stocks were held by the Federal Farm Board, an agency of a government facing a record budgetary deficit.

Holland suggests that failure to gain agreement on assistance for wheat at the 1930 Imperial Conference, which considered and dismissed the idea of an imperial tariff, destroyed the last hope for the pools in Canada, and that, ‘through prairie spectacles, British capitalists—with the connivance of a Labour government—that sought an unholy alliance between Moscow and Buenos Aires

37 Ibid.; Morriss, Chosen Instrument, pp. 34, 38–43.
to smash the price level on which their community aspirations were based’. A complacent British view that ‘the small prairie producer would have to accept an East European standard of living to survive’ was shaken in 1931 by fears that agricultural nations might default. Default by Australia would threaten the strength of the pound. Consideration was therefore given to proposals for a wheat quota and to some weakening of attachment to the ‘cheap food’ policy. Millers continued their opposition, but gave reluctant consent to offers of tariff preference for wheat and limitation of Russian supplies (both ‘practically worthless’) at the Ottawa Conference. Canada’s Prime Minister, R. B. Bennett, rejected other British suggestions for a wheat quota, or preference, and resented attempts to protect British-milled flour. It became apparent that Britain could offer no real help, and the possibility of ‘some great Imperial trade agreement’ vanished. A disillusioned Bennett, convinced that ‘the British were unprepared to enter into some equitable partnership’, declared that he must seek ‘the alternative economic strategy open to Canada—some accommodation with the United States. As he made plain to the U.K. delegation…“The Americans could not have treated us worse”’. A small preference was agreed, but ‘was excoriated by rural representatives in the Dominion Parliament as a gross irrelevance’. It proved ineffective: dominions’ share of British wheat imports actually fell in the following year.

The Imperial Economic Committee, its terms of reference enlarged by the 1930 Imperial Conference, determined to tackle the question as an imperial problem. Its preliminary discussions show that McDougall had given much thought to the question: he noted the large amount of information available, but warned there could be no intra-imperial solution. The IEC should consider it seriously, nevertheless, as ‘there is a most urgent need for the producers themselves to have a clear appreciation of the world position’, particularly the alarming possibility of the Soviet Union returning to its prewar level of output. He suggested encouragement of mixed farming to avoid ‘the extreme economic risk incurred in any country by too much reliance on wheat’.

Soon afterwards McDougall’s article ‘The Dominance of Wheat’, published in The Times on 25 February 1931 and ascribed to ‘a correspondent’, demonstrated his new worldwide perspective and recognition of a problem of great complexity: low prices; European production encouraged by artificially high tariff levels; technical and biological advances likely to nullify any restriction of crop acreage; subdivision of estates and political conservatism in traditional European exporters; a relatively inelastic market and declining consumption in Europe;

40 Ibid., p. 117; Cooper, British Agricultural Policy, pp. 148–51.
41 UKNA, DO35/201/5, 8115/19, ‘Summary of discussion on foodstuffs remaining for inquiry under Sub-Head 1 of the New Terms of Reference’, Meeting of the Imperial Economic Committee, 2 December 1930, IEC/109 (12.12.30).
and Canada’s exportable surplus doubling the total European market. Again he suggested that diversification offered solutions such as the Danish conversion of cheap dumped cereals into stockfeed for more profitable animal products, and the more elastic markets for dairy products, meats, fruit and vegetables, textile fibres and oilseeds. As always, study of world production and consumption figures was an essential prerequisite to the framing of solutions. With some prescience, he predicted problems for international bodies attempting to regulate production or to control national policies.

**International Solutions**

Between 1930 and 1933, twenty international conferences dealt wholly or in part with the problem of wheat prices. Some involved regional groupings. European growers laid claim to their traditional markets, urging an inter-European preferential system. 42

Forty-seven countries, many with weighty delegations, were represented at the International Wheat Conference convened by the IIA in Rome in March 1931. Canada sent its London High Commissioner, three other delegates and two expert industry advisers. McDougall was on his own, but his energy and familiarity with the issue enabled him to make important contributions. Delegates considered two solutions raised at earlier European conferences: restriction of production and intra-European preferences. A consensus view was that European nations could not reduce acreage, but that overseas exporters would be forced to do so if wheat prices continued to be unprofitable. 43 McDougall described the debate thus:

> Those who advocated compulsory restrictions were unable to answer any one of three very simple questions. First, would the advocate’s own country practice restriction? Secondly, if so, how would it be enforced in a peasant agriculture? Thirdly, what assurance could be given of Russian participation? The mere asking of these questions rendered any further discussion impossible. 44

His own speech—pointing out that overseas exporters were the chief sufferers in the crisis, and proposing concentration on orderly marketing rather than restriction—was supported by Canada and aroused considerable interest. It led to private meetings, in conjunction with Canada, with representatives of Argentina, the USSR and finally with European exporters. 45 He reiterated

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45 NAA, A981, Conference 366, McDougall to Scullin, 31 March 1931.
Australian objections to international bodies promoting sectional interests, and he succeeded, with India’s support, in having the conference recommend leaving negotiation of intra-European preference to regular diplomatic channels.46

McDougall thought his greatest achievement at this meeting was persuading Russian delegates to cooperate. They apparently made the first approach, then McDougall and the Canadians spent several hours in discussion with them over two days. McDougall attributed the success to his ‘complete…even a brutal frankness’, admitting the British Empire could not solve the problem alone, stating that international cooperation was essential and suggesting that the USSR must make clear whether it would serve its economic ends by cooperating for higher prices or its political ends by selling its own wheat cheaply and deepening the depression. The Russians admitted the Soviet Government would welcome a plan for raising prices; for the next few years, money would be more important than fostering revolution. McDougall hinted that if it were possible to blame the USSR for failure of the talks, a boycott already imposed by France and Belgium might spread, but he assured them he was convinced of a genuine desire for cooperation.47 Russian opposition was crucial in defeating European preference and quotas at the conference.48

While conference resolutions recognised the difficulties of reaching agreement on production control and did recommend crop diversification, the more important recommendations were to create an international body to determine quotas, fix prices or both, and to make arrangements between wheat exporters for orderly marketing of unsold stocks. For that purpose, a meeting of exporters was convened by Canada in London in May 1931.

McDougall expected that the May conference would be confined to short-term solutions for the immediate problems of unsold stocks and the 1931 harvest.49 Even this goal proved unattainable. Although the United States and the USSR both attended, the conference only achieved establishment of a committee to develop proposals for a clearing house of market and other information. McDougall chaired a committee that favoured establishment of an international wheat organisation and recommended orderly marketing by means of a quota. But the United States would not support quotas, except on the condition of reduced production. It has been suggested that other exporters supported quotas only because they were confident of US refusal, and that there were inconsistencies and fallacies in their views.50 Although the Canadians believed Britain would propose a quota at Ottawa, McDougall thought British opinion

46 Ibid., CP498/1, 430/AA/3.
was moving away from quotas because they could not raise prices. Australia certainly needed higher prices more than disposal of surplus stock, and the only solution lay in international action.51

The standing committee established by the May conference met in July, and, at US insistence, confined discussion to establishing a ‘Clearing House of Information’ to serve wheat-exporting countries. McDougall admitted that these discussions had not made ‘any contribution of substantial importance’ to growers’ problems.52 What was to have been the ‘International Wheat Information Service’ gained only three potential participants: Hungary, Romania and India.

### The Wheat Conference of 1933

A full-scale Monetary and Economic Conference was held under League auspices (but not confined to League members) in London in July 1933. Its Preparatory Commission recommended ‘special attention’ to ‘the production and export of wheat’ and discussion of means to liberalise tariff barriers. Formally requesting that wheat be placed on the agenda, Argentina submitted that the world wheat surplus had doubled since 1927. Import barriers would not ease until prices rose, consumption could not increase while widespread unemployment persisted and the policy of accumulating stocks to raise prices had failed. The only solutions remaining were production and export controls. Although exporters had failed to agree in 1931, the worsening situation since then might have changed attitudes.53

The four principal exporters met in Geneva for preliminary discussions in May 1933. McDougall was instructed from Canberra that he should ‘not be sympathetic’ to the idea of crop limitation in the absence of any ‘offsetting advantage not now apparent’. It would, inter alia, force Australia to surrender market advantage in Britain and in Asia; prevent expansion and development, which were ‘the most economic means of ending unemployment’; threaten Australia’s ability to meet external liabilities and to make use of lands already developed and thus lose the benefits of overseas borrowings; and it would advantage the holders of large North American stocks. But as declaration of ‘a very definite attitude’ at the outset could be ‘injudicious’, McDougall should await development of other representatives’ views.54

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51 NAA, A981, Conference 368, McDougall to Scullin, 28 May 1931.
52 Ibid., Conference 371, McDougall to Scullin, 15 July 1931.
53 Ibid., Conference 117, part 1, copies of letter from Agriculture Minister Antonio de Tomaso to Argentina’s delegate Raoul Prebisch, 25 October 1932; submission to the Conference Secretariat on 11 December; letter from J. H. Thomas to Bruce, 5 January 1933, requesting Australian views.
54 Ibid., Conference 117, part 2, Lyons to Bruce, 3 May 1933.
The delegates were inclined to blame European agrarian protection for the problem, but agreed that emergency action to raise prices must be taken; one method could be voluntary limitation of acreage. Export quotas, disposal of surplus stocks and tariff modification were also discussed; a standing committee to monitor the situation was recommended; no agreement was reached on the desirable extent of limitation.\(^{55}\) Australian State premiers, who were responsible for agriculture, roundly rejected any restriction scheme.\(^{56}\) Bruce warned Prime Minister Joseph Lyons to keep an open mind: the new US President, Franklin D. Roosevelt, was known to support restriction of production and wheat producers’ agreement might well encourage US support for other economic measures. League officials believed European tariff mitigation depended on reciprocal action by overseas exporters to limit outputs.\(^{57}\)

The world conference began amid pessimism, which was to prove justified. Concurrent with it, but formally outside its scope, the four principal wheat exporters met in a series of discussions that came to assume pivotal importance for the success of the conference itself. The United States’ Henry Morgenthau, then Head of the US Federal Farm Board and a close friend of Roosevelt, chaired discussions; Bruce represented Australia; Bennett led the Canadian delegation, and was eager for a solution to the wheat problem. It has been suggested that he favoured acreage reduction and that the absence of imperial aid forced Canada into seeking ‘a slice of the New Deal’s inflationary action’, working, albeit in a subordinate position, with the Americans.\(^{58}\)

Looming over discussions was the threat of the huge North American surplus and the possibility that US wheat might be dumped onto the international market. On 15 June, Bruce repeated an earlier request for instructions. Acting Prime Minister, J. G. Latham, replied that Australia was reluctant to surrender a tactical advantage in bargaining for removal of trade barriers against meat and dairy produce; there were practical difficulties in compulsory restriction and State governments opposed the idea.\(^{59}\) Latham’s position was supported by representations from wheat industry organisations and by a confidential cable from Toronto advising that Bennett’s statements in London were simply politicking; informed opinion in Canada considered limitation impractical.\(^{60}\)

By 21 June the United States had declared itself willing and indeed anxious to restrict acreage and limit exports in the coming season. Canada was at

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\(^{55}\) Ibid., copy of Agreed Statement, submitted by McDougall to Bruce, 19 May 1933.

\(^{56}\) Ibid., Economic 21, letters from Premiers of South Australia, Victoria and New South Wales, 24, 26 and 27 May 1933.

\(^{57}\) Ibid., Conference 117, part 2, Bruce to Lyons, 30 May 1933.


\(^{59}\) NAA, A981, Conference 117, part 2, Bruce to Lyons, 15 June; Latham to Bruce, 16 June.

\(^{60}\) Ibid., Economic 21, Australian Trade Commissioner in Canada to Commonwealth Government, 21 June 1933.
first inclined to make any limitation conditional upon relaxation of import restrictions and tariffs, and, like Australia, was hampered by the difficulties of a divided jurisdiction. Fear of US dumping, Russian exports and a premature announcement of Provincial support helped force Canadian agreement. Argentina was prepared to cooperate. Bruce cabled again. Wheat was becoming the pivotal point of the monetary conference and was governing the US attitude on wider issues. Australia could be in an embarrassing position if cooperation was not given soon. Without agreement, the United States might well flood the market, particularly Australia’s new markets in the Far East. The alternative of export limitation was now being discussed as well. Australian refusal might be held responsible for destroying any hope of international action to deal with the economic crisis as a whole. A record of discussion, dated 22 August, indicates that on 16 June Bruce explained that acreage restriction, if opposed by State Governments, would be unenforceable in Australia. Morgenthau then pointed out that the US Farm Relief Act would permit dumping of the US surplus overseas. At meetings on 19 and 21 June, it became clear that the United States and Canada were willing to restrict acreage, while the Argentine representative ‘stated his conviction’ that his country would accede to a general agreement. On 21 June, Bruce said he would be prepared to make two suggestions to Canberra: acreage restriction, which, he repeated, was ‘difficult if not impossible’; and limitation of exports. The latter seems to have been a new suggestion introduced into the discussion by Bruce.

Australian policy had to be reversed, and that quickly, by a federal government without power to ensure States’ compliance. Latham was in Melbourne, Lyons in far north Queensland, ministers, State premiers and industry leaders scattered. Cables flew across the country. For a week the London talks hung in the balance. Lyons was persuaded not to consult industry organisations for lack of time, but he wanted the States to be consulted. Premiers were to meet in Melbourne on Saturday, 1 July. Bruce cabled details about alternative schemes for crop limitation and export restriction and a further warning that Australian refusal would prevent negotiations with European importers. If there were any possibility of either scheme being introduced by Australia, an indication of tentative acceptance should be given immediately. Lyons gave general agreement by telegram ‘because impossible for us to be responsible for

62 NAA, A981, Conference 117, part 2, Bruce to Lyons, 21 June.
63 Ibid., ‘Discussions on Wheat in London, May–August 1933’.
64 NAA, A981, Economic 21, Lyons to Latham, 23 June.
65 Ibid., Conference 117, part 2, Bruce to Lyons, 24 June.
breakdown’, leaving details to Latham and other ministers. By 27 June, Bruce felt compelled to make some statement, but his explanation of the difficulties of State and producer cooperation and of Australia’s determination not to participate without concessions from European importers was countered by US and Canadian insistence that Europeans would not act without agreement by the overseas exporters. Bruce cabled again: the only way to prevent Australia being blamed for the deadlock was to make a statement accepting in principle some form of restriction.

Ramsay MacDonald, Chairman of the Monetary and Economic Conference, cabled Lyons, pointing to the ‘striking unanimity among countries who have hitherto held divergent views [and the] unique opportunity for agreed and effective action’. MacDonald’s cable was put before premiers who had already been advised that Australia was ‘practically forced in her own interests to collaborate’. The Australian delegate could not ‘continue to stand aloof while others work out a plan which might be less favourable to Australia’. Messages had already been sent to Bruce and MacDonald accepting restriction in principle. In London, on 30 June, the basis of a scheme to reduce wheat production by 15 per cent of the average crop for the years 1931–33 was agreed. Canada and the United States would restrict acreage; Argentina and Australia would accept an export quota. On 1 July, Australian premiers reluctantly agreed to limit wheat exports to 142 million bushels from the 1933–34 harvest and to 113 million (plus any unexpended quota from the previous year) in 1934–35. The decision was thought so sensitive that Latham took the unusual course of telegraphing newspaper editors, inviting ‘sympathetic consideration’ of the view ‘in the highest quarters’ that agreement was essential to the success of the London conference. Leading articles seemed to show the message had served its purpose.

The four exporters’ agreement in principle was followed by informal, but intense and difficult discussions throughout July and August between the four and other exporters and importers. Danubian countries and the USSR agreed to limitation in principle; importers agreed not to encourage production and recognised that higher prices should mean lower tariffs. Although Bruce had assumed principal representation in these discussions, he relied heavily on

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66 Ibid., Economic 21, Lyons to Latham, 26 June.
68 Ibid., MacDonald to Lyons, 28 June.
69 Ibid., Economic 21, letter to all State Premiers from Latham, 26 June.
70 Ibid., Conference 117, part 2, Latham to Bruce and MacDonald, 29 June.
71 Ibid., Lyons to Bruce, 1 July.
72 Ibid., Economic 21, personal and confidential telegram, sent to editors through Commonwealth Investigation Branch, 2 July; Latham to NSW Premier, B. S. Stevens, who suggested the idea, 7 July 1933.
McDougall: ‘if anything comes of the wheat proposal it will be very largely due to McDougall’, wrote Orr in September. McDougall’s secretary sent apology after apology to Rivett for McDougall’s failure to attend to correspondence.73

The Wheat Advisory Committee

Twenty-two nations reached agreement late in August 1933 but there was to be no end to the travail. The agreement established a Wheat Advisory Committee, representing all principal exporters and importers, to monitor world supply. The committee had a delicate and demanding task. Quotas were based on crop estimates; exporters eyed each other with suspicion. Vagaries of weather meant unpredictability. The committee was hampered by lack of knowledge: crop estimates varied even where information was freely available, but there was none from the traditional bogey, the USSR. Nor was there information about US stocks in private hands, yet these could be released to the market in response to any slight price rise. Seasonal differences meant that planting in one hemisphere could not be calculated until accurate crop forecasts were available for the other.

McDougall represented Australia. He played a leading and characteristic role: asking questions, summarising, steering discussion, suggesting procedures, oiling the wheels.74 The work began in an inauspicious atmosphere, with Canadian and US claims that Australian crop estimates were exaggerated, and Australian fears that subsidised US wheat was about to flood promising new markets in the Far East.75 Producer confidence waned as prices continued to fall.76

The committee nevertheless assumed ambitions well beyond mere ‘monitoring’. McDougall was member of one subcommittee to consider a minimum price scheme and of another to investigate ways of increasing consumption.77 A draft scheme, largely drawn up by McDougall early in 1934, provided for scales of minimum prices, maintenance of domestic prices at levels to discourage low-priced exports and limits on export subsidies.78 In commending the proposal to governments, the committee described the idea as ‘indispensable for the restoration of confidence’ necessary for any effective adjustment of supply

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73 NAA/CSIR, A9778, M14/33/9, Orr to Rivett, 4 September; M14/33/3 and M14/33/9, M. Divine to Rivett, 22 and 29 June, 6 and 20 July, 24 August 1933.
74 NAA, A981, Conference 117, part 3, Minutes of the Committee for 27–28 November 1933.
75 Ibid., Conference 117, part 2. See in particular communications from Commonwealth Government to Bruce, 25 September, 11 and 19 October; Bruce to Lyons, 13 October; Bruce to US Ambassador Bingham, 20 October; US Embassy, London, to Bruce, 17 November; Bruce to Lyons, 23 November 1933.
76 Ibid., Conference 117, part 3, report by Andrew Cairns, minutes, pp. 27–8.
78 NAA, A981, Economic 22, McDougall to Lyons, 15 April 1934.
to demand. The scheme as presented was viewed in the British Ministry of Agriculture as ‘naïve to the point of absurdity’; the committee in fact seemed to be considering ‘export monopolies under Government control’ in each exporting country. One official quoted a recent report that Australian State aid for wheat farmers was effectively ‘keeping in production land incapable of producing payable wheat crops even in normal times’, and added that minimum prices would do nothing for the problem of oversupply. President of the Board of Trade, Walter Runciman, and Minister of Agriculture, Walter Elliot, thought the proposals unworkable. Reluctant to offend the dominions and hopeful that ‘Argentina will not play’, they adopted a policy of ‘wait and see’.

Argentina obliged, by requesting an extra 40 million bushels of quota. There were suspicions Argentine wheat was being dumped on world markets and that farmers were encouraged to plant more. With inadequate storage facilities, Argentina believed it was justified, because neither the United States nor Canada had reduced sowing to the agreed level. Fearing an unauthorised 40 million bushels would create chaos, other exporters agreed to meet the request. McDougall believed Argentina might be persuaded by pressure from other signatories, particularly Britain. In Bruce’s absence, he urged this course in Whitehall, and he persuaded Lyons to send a cable stressing the threat of disaster, not just to the agreement but also to ‘the whole idea of international collaboration’. The Canadian High Commissioner acted similarly. Urged by Canberra and Ottawa, the British Government made diplomatic representations in Buenos Aires in cooperation with the United States. In the background McDougall helped ensure US cooperation, which depended upon British action, by informing J. V. A. MacMurray, who was responsible for wheat negotiations in the absence of US Ambassador Bingham, as soon as British intentions were confirmed. Acting as spokesman for the United States and Canada, McDougall also sought further help from British ministers to prevent collapse of the agreement. Further diplomatic moves failed to dissuade Argentina, which refused any commitment ‘inconsistent with their placing upon the world’s markets their entire stocks of wheat by the end of December 1934’.

In the event harvests in all except Argentina were well below expected levels, reduced by drought in North America and by poor weather and rising wool

79 Ibid., section of Committee’s report to Governments, 16 April, attached to letter from McDougall to Lyons, 18 April 1934.
80 UKNA, MAF 40/144, memorandum by E. M. H. Lloyd, 1 March 1934.
81 Ibid., note by C. Houghton, 2 March 1934, quoting E. T. Crutchley, UK Trade Commissioner in Australia.
82 Ibid., D. Fergusson to J. R. C. Helmore, 4 May; Elliot to D. E. Vandepeer, 5 May; Vandepeer to Helmore, 7 May 1934.
83 NAA, A981, Economic 22, McDougall to Lyons, 9 and 14 April 1934.
84 Ibid., McDougall to Commonwealth Government, 26 April; Commonwealth Government to Dominions Secretary, No. 28, 30 April; Dominions Secretary to Australia and Canada, 3 May 1934.
85 Ibid., McDougall to Lyons, 3 May.
86 USNA, 561.311, F1 Advisory Committee/339, Andrew Cairns to McDougall, 25 May 1934.
prices in Australia. The Wheat Agreement failed to accomplish its main purpose of raising prices, which had changed very little by late 1935. The large carryovers that had been the root cause of the problem were eventually reduced not by actions internationally agreed but by weather conditions (see Table 4). Though some reduction in sown areas did occur through the 1930s, it is doubtful whether any of the four exporters would have complied fully had nature not taken a hand. No agreement was reached on export or acreage controls in discussions in March 1935 and the agreement was formally terminated in May, although the Advisory Committee continued as a consultative and liaison group until World War II.  

Table 4 Export Quotas Allocated under the Wheat Agreement 1933: Actual Exports Shown in Parentheses (in million bushels).

<table>
<thead>
<tr>
<th></th>
<th>1933–34</th>
<th>1934–35</th>
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<tbody>
<tr>
<td>United States</td>
<td>47</td>
<td>(29.1)</td>
</tr>
<tr>
<td>Canada</td>
<td>200</td>
<td>(194.4)</td>
</tr>
<tr>
<td>Argentina</td>
<td>110</td>
<td>(147.1)</td>
</tr>
<tr>
<td>Australia</td>
<td>105</td>
<td>(86.1)</td>
</tr>
<tr>
<td>Total exports: four exporters</td>
<td>462</td>
<td>(468.7)</td>
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Conclusion

McDougall had used every means he could to form international concern with the problem of wheat, and of agriculture generally, into a rational, informed and balanced debate, encompassing all aspects of the problem and leading to cooperative solutions. As at Ottawa, sectional interests prevailed. The failure of the wheat negotiations, and the failure of the general Economic Conference of 1933, left both Bruce and McDougall disheartened and disillusioned. Bruce later spoke of the ‘disastrous and negative’ policy of restricting production, ‘a policy that I described at the time as one of desperation and danger’.

McDougall had once called himself an ‘incorrigible optimist’. He was to prove in a remarkably short time the truth of that assertion. As the following chapter shows, his ‘inventive mind’ was able to create hope out of despair.

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