7. A Vision for the League of Nations

Summary

Following the success of the nutrition initiative, both Bruce and McDougall held significant positions within the League of Nations, Bruce as President of the Council in 1936 and chairing committees seeking to restructure the economic and social activities of the League; McDougall as a member of the League Economic Committee. Both men sought to use the idea of raising living standards to achieve two intertwining goals: persuading the leaders and peoples of the fascist powers to adopt policies of international cooperation, generally known as ‘economic appeasement’; and enabling the League to become a more effective agency of social reform.

This chapter deals with these complex issues as events unfolded. It begins with an account of their new roles, particularly of McDougall’s new contacts with economists, and his use of the concept of consumptionism. Accounts follow of the threat posed by German autarky and rearmament; the development of McDougall’s early ideas to alleviate it; British and US policies on economic appeasement; and the writing of the ‘Hall Memorandum’ reflecting wider discussion of McDougall’s suggestions. A summary of McDougall’s major memorandum ‘Economic Appeasement’ is preceded by discussion of the possibility that he coined the term. Although his memorandum received a cool response in Whitehall, the Imperial Conference in 1937 supported economic appeasement in principle. As war became inevitable, McDougall, Orr and Professor Noel Hall sought to persuade financial and industrial interests of the need for a broader policy of increasing prosperity and for improving national defence and health through increased consumption.

McDougall’s hopes of promoting positive action through the League Economic Committee to remove trade barriers and pursue economic appeasement were disappointed, but Bruce successfully proposed a series of inquiries into means of raising standards of living, mitigation of depressions and agricultural credits. A report by Hall on the standards-of-living proposal detailed problems to be investigated. Three committees chaired by Bruce resulted in the ‘Bruce Report’, stressing links between social and economic problems and proposing a more effective structure to deal with them. War prevented implementation of both the Hall and the Bruce reports, although recommendations of the latter were embodied in the Economic and Social Council of the United Nations.
A Failing League

In 1936 the League of Nations began its move to permanent premises. An international design competition had attracted 377 entries and a committee of winning architects supervised work on a vast, white *Palais des Nations*, sprawling through Ariana Park on the north-western outskirts of Geneva. The long, irregular Secretariat building extended to a wing housing the Council; in front of a high Assembly building, the ‘Court of Honour’ portico led to terraces facing Lake Geneva and the Alps of Savoy; a domed library beyond was built with a $2 million grant from the Rockefeller Foundation. The international bureaucracy was provided with hundreds of meeting rooms and offices, a restaurant, post office and bank. Elegant formal spaces were fitted in marble embellished with brass. The Assembly Room accommodated some 2000 persons, including two tiers of onlookers, and was thus more suited to set speeches than to serious debate. The galleried Council Chamber—dwarfed by gigantic murals celebrating, in stark monochrome, the banishment of war—was criticised as ‘over large, pretentious, even theatrical’. It conveyed the dignity of the world’s highest presiding body at the expense of any understanding of the practical needs of productive negotiation. Members sat in a shallow crescent on a small stage and ‘nothing less suitable to quick and spontaneous discussion could possibly be imagined’.1

Whatever the deficiencies of the building, they were less remarkable than the irony of its timing. By 1936 the mortal weakness of the League was clear. Despite some small successes, the decade already seemed a sorry tale of inability to deal with international crises. Mediation and condemnation failed to prevent Japan’s annexation of Manchuria and departure from the League in 1931. The Disarmament Conference in 1932 achieved nothing, except Germany’s departure from the League. In contravention of Versailles, the *Luftwaffe* was re-established in 1934, the German Navy was enlarged, and conscription introduced in 1935. Abyssinia’s appeal against Italy in 1935 served merely to demonstrate lack of will and agreement between key members: British-backed economic sanctions against Italy were invoked in part, but France foiled the inclusion of vital oil sanctions. As argument continued, Germany reoccupied the Rhineland in March 1936 and Italy annexed Abyssinia in May. In view of this *fait accompli*, such sanctions as had been put in place against Italy were lifted in July.

For Bruce and McDougall, nevertheless, the last years of peace involved a desperate attempt to enhance the potential of the League for social, economic and even political change. The nutrition initiative was but their first major action in what has been called the ‘Renaissance of the Economic and Social

---

A Vision for the League of Nations

Agencies’. In the years 1935 to 1939, work in broader fields had begun, and formal conferences and agreements were abandoned in favour of less-rigid, problem-solving processes of information sharing, concentrated no longer upon actions of governments but on ‘the cares and interests of the individual and his family’. This process was used, encouraged and often led by Bruce and McDougall. After 1935, both men sought to use League resources to apply the fundamental idea of the nutrition approach—that of increasing consumption—to wider problems of standards of living and prevention of war.

Both were positioned to invest their skills in the future of the League. Bruce was President of the League Council in 1936. That presidency ‘seemed to mark a watershed in his life’. He identified with the economic and social purposes of the League and enjoyed the atmosphere of an international association, its demands and its contacts. Since it had been thought that his high commissionership could conclude as early as 1936, Bruce might well have been thinking of his success in mobilising the League towards nutrition as pointing the way to a new and greater career.

The League Economic Committee

In January 1937 the League Council appointed McDougall to a three-year term on the Economic Committee, one of two standing committees of the Economic and Financial Organization, reporting to the Second Committee (Technical), which in turn reported to the Assembly. Most members of the committees were respected economists, appointed as individual experts, not as representatives of their governments. The Economic and Financial Committees both worked through expert committees and individual specialists to investigate problems of economic aspects of international relations; their members spoke with ‘a certain freedom, and yet in most cases with intimate knowledge of the views of their respective governments’.

Members of the Economic Committee tended to be officials and had the confidence of governments and also of business, which subscribed ‘scores of millions of pounds’ to loans authorised by the Financial Committee. In 1937, the 15 members of the Economic Committee were predominantly European, but included O. Morato of Uruguay, Y. Shudo of Japan and Dr Henry F. Grady, former diplomat and academic, member of the US Tariff Commission and committed free-trader, then working with Secretary of State, Cordell Hull, to lower world

---

5 Ibid.
trade barriers. Notable Europeans included H. M. Hirschfeld, a Dutch civil servant later, controversially, administrator of finance, food and transport in the occupied Netherlands, Belgian sociologist Fernand van Langenhove, and R. Ryti, President of the Bank of Finland. A further group of 18 ‘corresponding members’ included a sprinkling of diplomats, but also Professor A. Flores de Lemus, a distinguished right-wing Spanish economist, Dr M. H. de Kock, Deputy Governor of the South African Bank, John Leydon, the Secretary of the Irish Department of Industry and Commerce, and Indian politician Ramaswami Mudaliar, who would later take significant roles in the UN Economic and Social Council and in establishment of the World Health Organization. The committee’s Chairman was Sir Frederick Leith-Ross, Chief Economic Adviser to the British Government.

Membership of the Economic Committee gave McDougall access to the services of the Economic Relations Section of the League bureaucracy. The appointment may have recognised McDougall’s contribution to the work on nutrition as a member of the Mixed Committee and as a representative and often alternative spokesman for Bruce. It was undoubtedly flattering for a self-taught amateur, but there is no evidence of his feeling overwhelmed. He did take advantage of its facilities and contacts to undertake wider and more theoretical study of economics than he had done previously. He certainly read J. M. Keynes’s General Theory, published in February 1936; Consumers, Credit and Unemployment (1938) by early Keynesian J. E. Meade, a member of the League staff from 1937; work by D. H. Robertson, then an adviser to the League’s Financial Section; and by Swedish economist, politician and later Nobel Prize winner Gunnar Myrdal. Sean Turnell neatly describes McDougall as ‘an inveterate consumer of ideas’. His advocacy in the late 1930s incorporated new insights, like nutrition, old favourites such as rationalisation and the fruits of his wider reading and recent contacts: Meade’s ‘consumer credits’ to underpin consumption; Robertson’s supposition that peace required emphasis on consumer, at the expense of capital, goods; and Keynes’s suggestion for income redistribution to increase effective demand, and his concept of a ‘spending multiplier’.

McDougall met both Meade and Robertson while they worked with the League and corresponded for a time with pioneering Dutch econometrician Jan Tinbergen, who three decades later was to share the first Nobel Prize for Economics. From his own correspondence with Meade, Turnell notes

---

6 LN, Monthly Summary of the League of Nations.
7 Ibid., 1933–40, 10A, 27571/357, Stoppani to McDougall, 30 January and 3 February 1937.
that McDougall’s circle of acquaintance amongst ‘mostly young economists’
destined to ‘rise to spectacular heights in later years’ extended well beyond
the committee; they included Gottfried Haberler, Tjalling Koopmans, Ragnar
Nurske, J. M. Fleming, J. B. Condliffe, J. J. Polak and Folke Hilgerdt. It was
perhaps a time when economic theory, as distinct from policy, was more widely
discussed than usual; a decade, says Turnell, ‘most productive for political
economy’.11 In the 1920s, McDougall’s thinking had been stimulated by contacts
with young scientists and by innovators in the worlds of business and politics.
Now he eagerly soaked up ideas complementary to the nutrition approach from
the world of the social sciences.

He participated in inquiries initiated by the committee, including one on
standards of living and another on prevention and mitigation of economic
depressions. The contacts and challenges provided by this membership led him
to espouse a more general aim of increasing consumption. In 1938 McDougall
wrote that ‘since 1935, Mr Bruce and I have jointly been responsible for a
series of initiatives in the international field, all aimed at demonstrating the
importance of increased consumption’.12 The comment demonstrates the change
in emphasis taking place in his writing and thinking. The idea of ‘nutrition’ had
been subsumed into his broader concept of ‘consumption’.

To a professional economist ‘under-consumption’ means the idea that
consumption expenditure can be ‘insufficient to absorb the total output of an
economy at prices consistent with normal profits’.13 McDougall used the words
‘consumption’ and ‘under-consumption’ frequently, and referred to the work of
leading economists as he did so, but he used them as a layman, in a more literal
sense. A 26-page memorandum spelled out at length the importance of adequate,
varied diet for health, and the effect of purchases of cheap manufactured foods
rather than fresh foods in reducing farm prices and incomes, so that farmers
bought fewer manufactured goods and the cycle of depression continued.14
McDougall added: ‘the ignorance which is no doubt a contributory factor [to
high rates of illness and mortality in poor districts] may be described as an under-
consumption of education.’ A world depression means ‘the under-consumption
of some thirty millions of employed and partially employed workers; under-
consumption which is especially severe in respect to food deficiency’.15

Fears of renewed depression persisted through the 1930s and means of
prevention and mitigation preoccupied economists. The influence of economists

---

11 Ibid.
12 CSIR/NAA, A10666, [5], McDougall to Rivett, 23 August 1938.
14 NLA, MS6890/4/5, ‘Economic Depressions and the Standard of Life’, 24 June 1938. Attached is a letter
with brief comments by Tinbergen.
15 Ibid., pp. 2, 11.
McDougall knew and read is obvious in his memoranda. One suggested the Economic Organization undertake work on ‘increased consumption’: ‘Mr D. H. Robertson’s plea for a “re-butterment campaign” has encouraged me to propose the inclusion of these considerations in the work of the Delegation.’ McDougall conceded that radical social policies during a depression might damage business confidence and prolong depression, but cited Keynes as an authority for his argument that stimulation of consumption was as valid a method of increasing economic activity as stimulation of investment, quoting in full a statement by Keynes sanctioning both. He argued in favour of deficit financing in a depression to create employment, while acknowledging such policies must be ‘undertaken in ways that will not prejudice the recovery of the normal level of investment’. He supported reducing ‘excessive commodity stocks’ as ‘a valuable contribution’. Difficulties in devising methods of ‘social distribution’ would decrease with greater awareness of ‘the importance of nutrition in social welfare and of the relation of efficient distribution of foodstuffs to agricultural and world prosperity’. Keynes had recently noted ‘the part that control of stocks may play in smoothing out the trade cycle’. Turnell writes that while ‘McDougall eschewed linking his ideas with any particular economic theory…[in a 1938 memorandum,] he ‘self-consciously identified them as being consistent with the underconsumptionist tradition’.

Germany: ‘That powerful and dangerous country’

The American loan funds upon which German postwar recovery depended vanished in the 1930s depression. The resulting economic chaos paved the way for political dominance of the Nazi Party and helped set much of the Nazi agenda. High tariff barriers confronting foreign foodstuffs hardened into a doctrine of autarky—economic self-sufficiency aiming at as little international trade as possible. What could not be produced economically would be produced with the assistance of protection—massive protection if necessary. What could not be produced at all would be replaced with substitutes or done without. With autarky came a controlled economy geared to large-scale rearmament. German rearmament heightened the political crisis, and the need to match it in the democracies created further economic strain. German autarky threatened the British Empire’s triangular pattern of trade by reducing sales to Germany.

16 FAO, RG3.1, Series D3, ‘Trade Depressions and the Standard of Living’, 14 June 1938. I am grateful to Sean Turnell for generously making his notes of this FAO series available to me.
17 Turnell notes on his copy that the quotation was taken from J. M. Keynes, The General Theory of Employment, Interest and Money, Macmillan, London, 1936, p. 325.
of goods from many parts of the empire: industrial raw materials, wheat, wool, sugar and other colonial products. This real or potential loss of markets added to anxiety in London: British export sales to the empire depended upon the empire’s ability to pay. Recovery from depression was fragile; by 1937 there was evidence of a further slump. In Britain and its empire, the need to bring Germany back into the international fold seemed as pressing on economic grounds as it was politically.

McDougall’s determination to tackle the problem of Germany began early in 1936. In January he read *Inside Europe*, a widely popular book by US journalist John Gunther. So, presumably, did the Bruces: amongst books donated by Bruce to the National Library of Australia is a copy of it bearing the handwritten inscription ‘Ethel Bruce’.20 Gunther examined the personal history and sources of power of political leaders and institutions in most countries of Europe. In 1936, before ‘warts-and-all exposés’ had become commonplace, the book was unusual both in style and in content. It demolished a comforting theory that Germany lacked the resources to make war. It also dealt briefly with problems of the German economy.21 Germany should be allowed to become ‘strong but not too strong’ and manifest injustices of Versailles should be redressed. Germany, a ‘have-not’ nation—that is, lacking colonies, as former German colonies had been allocated to ‘victor’ nations under the Versailles Treaty—should be allowed to regain self-respect. Yet Gunther also warned that German rearmament was being funded by borrowing from sources overseas, including the Bank of England.22 Perhaps what most alarmed McDougall and other readers was the book’s destruction of the mystique of national leaders. Suddenly the destinies of ordinary men and women lay in the hands of fallible mortals who, more often than not, were fatally flawed or psychologically damaged. Gunther’s book may be one more reason 1936 seems to mark the beginning of general apprehension of impending war.

In 1935 some 12 million Britons had demonstrated against war in the ‘Peace Ballot’. McDougall was influenced by this awakened ‘moral sense’ and by public disillusion with the League. His optimism, his belief in the efficacy of reason and persuasion, would not permit him simply to wring his hands. Recommending Gunther’s book to Rivett, he urged ‘we should give very serious thought to the European situation…[which] is full of danger and I believe it has got to be looked at not only from the foreign policy point of view but also from a wide economic standpoint’. He listed three options facing the British Empire in both defence and trade. ‘Splendid isolation’ was dangerous, because it invited attack; cooperation with France to use the League as an instrument of collective security

21 Ibid., pp. 98–102.
22 Ibid., p. 111.
would be ineffective while the League was crippled by resentment of the Treaty of Versailles, of which the League Covenant formed part, and by the disabilities of ‘have-not’ nations. Alliance with the United States seemed the ideal, but was ruled out by US isolationism. McDougall therefore proposed a fourth option: to persuade Germany to ‘abandon the aggressive spirit’ by offering her a general treaty of cooperation. In return for largely unrestricted trade with the British Empire, and subject to safeguards including adherence by all parties to ILO conventions, Germany would return to the League, undertaking to cooperate with the British Empire to secure progressive disarmament, abandonment of military aviation, international control of civil aviation and economic equality for her racial minorities.23

In the first half of 1936, while hope remained that League sanctions against Italy might succeed, McDougall wrote a series of papers linking economic policy with the political situation. A 26-page memorandum, written in February, expanded on the German treaty idea and an ‘open-door’ trade policy for colonies, meaning that colonial powers would not claim preferential advantages, thereby allowing all nations to trade with colonies on equal terms.24 The overriding aim was to avert war:

Fear of war and the necessities of defence reinforce the tendencies towards economic nationalism.

These fears and difficulties lead to a dread of over-production at a time when under-consumption is the most real factor…It is suggested that the world’s economic difficulties can best be lightened through improvement in political relations and through attempts to bring about increased consumption.

The long continuance of stark poverty in what is potentially an exceedingly rich world must lead either, to revolutionary outbreaks or to what is more probable, embarrassed Governments attempting to escape from their internal difficulties through external adventures.25

There were economic advantages of a treaty and of liberalised trade generally, both to the ‘have-not’ nations and to the rest of the world. McDougall now dismissed the imperial solution as a temporary expedient. The Ottawa Agreements had ‘helped the Empire out of the worst of the depression’ and remained of some benefit, but imperial economic cooperation should not go so far as to make the Empire a closed economic system, with resulting dangers

23 NAA/CSIR, A10666, [5], McDougall to Rivett, 23 January 1936.
25 Ibid., p. 5.
of ‘war and...reduced prosperity’. The agreements had nevertheless provided ‘material for concessions to other countries and a bargaining power which would have been absent had Great Britain retained her free trade policy’.26

McDougall acknowledged the persuasive case of the ‘have-not’ powers for treaty revision and the ‘moral isolation’ of Britain and France. Although German demands for access to colonies might be satisfied with nothing less, he did not advocate restitution. Instead, Britain might regain moral leadership by offering, at an international forum on the economic relations of colonies, a complete ‘open door’ overseen by the League of Nations. He noted that such a policy was already observed in the Belgian Congo and Dutch East Indies. It would be necessary to consider whether Britain should do so without similar action by France and Portugal. The British Empire should push the League to deal with issues of social justice, such as nutrition and ILO conventions. German and Italian aspirations were unlikely to be satisfied by this limited offer, but it would remove their ‘legitimate grievances’, deprive them of the sympathy of neutral countries—that of the United States in particular—and satisfy the moral sense of the British people.27

The League’s lack of universality could be eased by the adherence of either the United States or of Germany and, in view of US isolationism, McDougall turned to Germany, ‘that powerful and dangerous country’. The existence there of some moderate leaders and an apparent desire for good relations with Britain offered hope for success of ‘a great gesture’ in the form of a general treaty of cooperation. A treaty could end Germany’s feeling of ‘economic encirclement and give her immense scope for the beneficial employment of her vigour, in the general improvement of her standards of living’.28 It could also be a means of restoring Europe as a market for agricultural exporters and Britain.29

Policies likely to reactivate the economic life of Europe, though involving some sacrifice of ‘present advantages’, could benefit Australia.30 A small loss in colonial trade resulting from an open-door policy would be offset by better access to European markets; abandoning protection should give colonial people cheaper goods and so stimulate trade generally.31 Nations should explore the possibility of rationalised primary and secondary industries on a world scale, perhaps between industrial countries like Britain, Germany, Czechoslovakia and Belgium, and between the dominions, India and ‘foreign agricultural countries’.

---

27 Ibid., pp. 15–20.
30 Ibid., ‘Australia and Europe’, 1 April 1936, p. 11.
Rivett, like many thinking men of goodwill in 1936, saw no ‘sound ethical ground’ for refusing Germany her former colonies, but doubted she would be satisfied merely with better opportunities for trade.\(^{33}\) McDougall replied that opinion was ‘moving rather fast’ on the question of transferring mandated territories to former colonial powers, a possibility he would not rule out.\(^{34}\) Writing from Kenya, shortly after the failure of sanctions against Italy, Elspeth Huxley identified the problem with the treaty idea more bluntly. Other ‘have-not powers’ might well prefer to emulate Mussolini and ‘take what they want if they can, instead of being given less than they want as a favour’. She doubted Germany would be satisfied with anything less than outright ownership, but also whether Germany would in fact press the colonial question: ‘She knows very well they have a negligible value.’\(^{35}\)

These views, and many of McDougall’s suggestions, reflected widespread debate. The distinctive feature of his solution was his linking of political settlement with expansion of consumption. Underlying this argument was a completion of the shift in frame of reference that had begun with his engagement with the wheat problem. In the 1920s he had been attempting to resolve trade problems within the British Empire, with careful attention to its various producer interests; now he was tackling the threats of communism and fascism to international security, with his political antennae attuned to the unmet needs of consumers.

Much of McDougall’s approach was in accord with significant bodies of opinion in London and Washington that had argued since 1919 that lasting peace required measures allowing German economic recovery.\(^{36}\) Terms such as ‘treaty revision’ and ‘general settlement’ (that is, of problems remaining after Versailles) were used for suggestions to provide German access to colonial trade and raw materials. Supporters of such policies extended beyond those vilified in 1937 as ‘appeasers’ in the ‘Cliveden Set’, led by Viscount Waldorf Astor and his wife, Nancy.\(^{37}\) Advocates in Whitehall of a softer line with Germany included the chief of the newly formed Economic Relations Section of the Western Department in the Foreign Office, F. T. A. Ashton-Gwatkin, and, from late 1935, his deputy, Gladwyn Jebb, just returned from a posting in Rome.\(^{38}\) Before the 1932 Ottawa Conference, Ashton-Gwatkin had predicted that a high protective

---

\(^{33}\) Ibid., Rivett to McDougall, 19 February 1936.

\(^{34}\) NAA/CSIR, A10666, [5], McDougall to Rivett, 9 April 1936.

\(^{35}\) NLA, MS6890/2/6, Elspeth Huxley to McDougall, 13 May 1936.

\(^{36}\) Most notably by J. M. Keynes in *The Economic Consequences of the Peace*, and by *Observer* Editor, J. L. Garvin, in *The Economic Foundations of Peace*, both published in 1919.


tariff and empire preference could diminish British influence over European affairs and create economic antagonism. He favoured economic aid to Germany since ‘a weak hysterical individual, heavily armed, is a danger to himself and others’. Jebb described Nazism as a ‘cancer’ that would yield to ‘the radioactive treatment of increased world trade’. But a Foreign Office proposal to offer colonial concessions to Germany in return for limiting armaments, abandoning European expansion and rejoining the League was opposed by the Board of Trade. In 1936, Foreign Secretary Anthony Eden initiated a two-pronged policy of rapid rearmament coupled with the possibility of returning colonies, if ‘permanent settlement’ could be achieved.

Until mid 1939, politicians and officials continued to explore possibilities for economic cooperation with Germany. Neville Chamberlain, as Chancellor of the Exchequer, supported an approach late in 1936, when he feared the effect of continued rearmament on Britain’s adverse balance of payments. Common to all British schemes of ‘economic appeasement’, in addition to the primary aim of reducing tension, was that of encouraging Germany to import from commodity producers who spent their income on British exports, an aim supported by the City and by the FBI. Cabinet authorised further discussions in April 1937, offering colonial restitution and economic aid in return for Germany’s ‘good behaviour’ in Central Europe; many believed that ‘only colonies stood in the way of settlement’. Evidence more recently available suggests Germany’s colonial claim was intended to lure Britain into discussions in which Germany would be conceded a right to European expansion. Lacking this knowledge, Chamberlain, early in 1938, proposed facilitating German access to raw materials through management of an area in Central Africa by a consortium of European powers, including Germany, in return for arms limitation and territorial guarantees to Austria and Czechoslovakia. Rejection of that offer changed British policy to one of gradual modification of the German economy through ‘the liberalizing influence of increased foreign trade’, to pave the way for political settlement.

A final attempt at negotiation with a German official, presumed to be an agent of Göring, was sanctioned by Chamberlain in July 1939, in a context of falling British reserves. ‘The trade recession dominated his thought on the German problem.’

US policy was influenced by economic considerations, but even more by a desire to avoid entanglement in a European conflict. Many influential

---

42 Ibid., pp. 107–14.
Americans, including President Franklin D. Roosevelt, saw sense and justice in reassessing Versailles and, like the British, they hoped to use this as a bargaining tool, though Roosevelt relied on ‘universalist emphasis on codes of conduct rather than Britain’s bilateral and spheres-of-influence approach to diplomacy’.44 Early in 1936, Norman H. Davis, ‘roving ambassador and friend to Roosevelt and Hull’, suggested Germany be given ‘a special economic position in South-Eastern Europe, in return for signing an arms limitation agreement and rejoining the League’—a view echoed from Berlin by Ambassador William C. Bullitt in November 1936. Pursuing Hull’s freer trade agenda, American diplomats generally believed in the political benefits of reduced trade barriers and increased access to markets and resources, seeing economic appeasement ‘both as a diplomatic tactic and a legitimate, publicly acceptable end’.45

Roosevelt suggested a non-political conference on economic and social problems in 1936; neither Britain nor Germany was interested. An American proposal late in 1937 for a world conference to establish universal codes governing international relations, including access to raw materials, was abandoned following events early in 1938: Japan’s resumption of fighting in China; Hitler’s replacement of moderate Neurath with Ribbentrop and recognition of Japan in Manchukuo; Eden’s resignation; and the Anschluss. In 1939 Roosevelt again appealed for non-aggression pledges in return for parallel economic and political appeasement conferences.46

McDougall’s eagerness for international conferences and treaties and for use of the League accords more with the American approach than that of the British Foreign Office, where, it has been argued, there were doubts about the effectiveness of the League and resentment of its control from Downing Street rather than Whitehall.47 The potential threat to imperial trade arrangements in McDougall’s approach would also have worried Whitehall.

At a time when Bruce’s mind was turning more and more to the possibilities of international action, McDougall’s proposals were appealing and matched his own concerns: he became an enthusiastic supporter. Alfred Stirling recalls a long evening in Geneva in May 1936 when McDougall ‘poured out to me for many hours the anxieties which the High Commissioner and he shared about the preservation of world peace’. McDougall’s ‘main theme was the need to re-

46 Ibid., pp. 379–82.
activate trade in Europe, and how Australia must produce more foodstuffs and help in the feeding of the hungry of the world. This was vital if war was to be averted.’

Bruce made his views plain in a meeting of British and visiting Australian ministers that same month. Jebb was sent by the junior Foreign Minister, Lord Stanhope, to ask Bruce to amplify his views. With McDougall present, Bruce argued that it was no use attempting to prevent war without trying to eliminate the economic causes ‘which inevitably lead to it’. Any declarations made at Geneva or elsewhere about reorganising collective security or reform of the Covenant must be accompanied by a declaration of economic policy. Bruce was less sure about what might actually be achieved, but for ‘propaganda value in the world as a whole’ there should be a unilateral declaration of intent to abolish imperial preference in the colonial empire and a broadening of the system of awarding contracts. Bruce admitted that without some modification of imperial tariff policy, these measures would do little to expand German exports but insisted that the only hope of preventing Germany’s present ‘drive to the East’ from becoming ‘actual military aggression’ lay in the British Empire taking more German goods. He favoured Professor Noel Hall’s suggestion to permit entry of more semifinished manufactures from Germany, to revive the triangular trade between Europe, the dominions and Britain. Bruce’s views must have alarmed officials anxious to preserve Britain’s imperial trading arrangements.

Group discussion of an idea over dinner was a favourite McDougall tactic. Almost certainly Bruce approved establishment of such a group early in 1936 to consider ‘economic appeasement’. It included Gladwyn Jebb and Australian-born diplomat R. W. A. (Rex) Leeper, known for his views opposing appeasement, as observers from the Foreign Office. Other participants represented the empire, industry and ideas; most had worked with McDougall before. Assistant Editor, R. M. Barrington-Ward, was almost solely responsible for The Times’ treatment of Anglo–German relations: ‘the keystone of his view [on Europe] was the perniciousness of the Treaty of Versailles.’ Noel Hall, Professor of Political Economy at University College London and Director of the National Institute of Economic and Social Research, was described by McDougall as ‘an old friend of mine’. ‘Mike’ Lester Pearson was then a Canadian diplomat in London; R. Enfield of the Ministry of Agriculture had been a contact since the mid 1920s; company director and banker Sir George Schuster was an expert on

---

49 UKNA, FO371/19933, 125552, C4757/99/18, Memo of conversation by Jebb, addressed to Stanhope, 10 June 1936. This appears to be a draft, not all of which was submitted: the part dealing with Hall’s suggestion has been crossed through. I am grateful to Sean Turnell for copies of material from this file.
52 NAA/CSIR, A9778, M14/37/7, McDougall to Rivett, 13 July 1937.
colonial development. On one occasion, they were joined by Oxford Professor of International Relations and founder of the Institute of International Affairs, Sir Alfred Zimmern, who had identified three causes of war including, significantly, the economic issue of the ‘haves and have-nots’.53 Jebb minuted that both he and Leeper felt the group’s approach merited ‘the most sympathetic consideration’ by government experts. Leeper added: ‘we cannot take political initiative in the shape of further commitments. All the more need therefore for economic initiative.’54

The group’s paper, ‘An International Policy for the British Empire’, was drafted by Professor Hall and generally referred to as ‘the Hall Memorandum’.55 It called for cooperative leadership of world economic policy from the British Empire, now recovered from depression and in an economic position envied by the ‘have-nots’, who blamed ‘the Ottawa Factor’ for contributing to their economic difficulties. An increase in world trade might help ‘purchase’ a general European settlement, extending even to an agreement on arms limitation. The paper discounted the value of loans, or return of colonies to Germany, prescribing instead a series of coordinated measures based on increased consumption and including a conditional open-door policy to trade in the colonial empire. Its chief focus was the means to increase the empire’s triangular trade with industrial Europe, to give ‘more elbow room’ for dominion producers to trade outside the Empire and to revive British industry, shipping and financial services. Its chief practical suggestion was a revision of the British tariff, but only where it offered prospects of an increase in the triangular trade. Tariff preference by Britain for semi-manufactured goods from Europe, such as car parts and steel sheets, would benefit alike British and European industry, dominion buyers and raw material producers.

Copies of the paper were circulated discreetly. One was sent privately by Barrington-Ward to Tom Jones, Deputy Secretary to the Cabinet and an economist by training. It was ‘undoubtedly important’, Ward wrote to Jones, ‘to start talking the economics of peace as soon as possible’.56 The group hoped it might lead to ‘more vigorous action’ by Britain at Geneva at the time of the Tripartite Declaration, an undertaking by Britain, France and the United States to avoid further devaluation of currencies, signed on 25 September 1936. Jebb showed it to S. D. Waley of Treasury and a Mr Brown of the Board of Trade. Neither was encouraging, although Waley admitted to interest in the idea of importing more German goods.57 Opposition by Walter Runciman, President

55 The National Library of Wales, Dr Thomas Jones C. H. Papers, E1, Items 9 and 10, copy dated July 1936.
56 Ibid., Barrington-Ward’s covering letter, 16 July 1936.
of the Board of Trade, and Chancellor of the Exchequer, Neville Chamberlain, to any modification of British economic policy ruled that out, and the Hall memorandum had no further perceptible effect.58

‘Economic Appeasement’

The Hall group’s discussions must have clarified McDougall’s own thinking. By December 1936 he had completed a major revision of his February memorandum, now called ‘Economic Appeasement’ and 27 pages long. It is possible that McDougall himself coined the term. Jebb writes of ‘what McDougall had called the policy of “Economic Appeasement”’, noting: ‘Incidentally I think [early 1937] was about the first time that the famous word “appeasement” gained any currency and it certainly did not then connote a policy of giving the Nazis everything they wanted; merely a possible means of achieving a “peaceful solution”’.59 Elspeth Huxley recalled McDougall ‘discoursing on the need for “appeasement”’ and that was the first time I heard the word used in the sense that later became so discreditable’. She added: ‘it was not then a dirty word and seemed a reasonable approach, since it was the harshness of the Treaty of Versailles that really gave Hitler his chance to come to power.’60

The phrase ‘economic appeasement’ first appears in The Times index in mid 1937; McDougall’s closeness to editorial figures at The Times could have promoted its use. The term is used in subheadings in the Economic Section of the 1937 Survey of International Affairs, which states: ‘the Australian Delegation to the League of Nations had been especially active in propagating the idea of “economic appeasement”, and though its meaning was not always clearly defined, the phrase became almost a commonplace in the economic and political discussions of that year.’61 Bruce had used it in a speech in Second Committee on 6 October 1936, but in doing so he was commending words of the British delegate who expressed Britain’s desire to ‘use every method which presents itself to further the economic appeasement of the world’.62 The noun ‘appeasement’ was used without the qualifier ‘economic’ earlier in this context. Turnell points out that in 1936 ‘one did not speak of the appeasement of Nazi Germany, but of Europe

58 UKNA, FO371/21215, 125552, W373/5/50, Minute by Jebb, 9 January 1937. I thank Sean Turnell for copies from these and related files.
62 LN, Official Journal, 1936, Second Committee (Technical), Minutes: W. S. Morrison, Financial Secretary to UK Treasury, 5 October, p. 43; Bruce, 6 October, p. 60.
and the world’.

That is, ‘appeasement’ did not mean buying off a potential aggressor, but the easing of tension and anxiety. Stressing the importance of economic cooperation as a solution to political problems, Bruce demonstrated its typical use in September 1936, quoting Assembly President, Paul van Zeeland, on ‘the feeling of appeasement and relief which would spread through the world if the nations again knew comfort and prosperity’. Bruce went on to make a subtle shift in his own use of the word, expressing a conviction that ‘solution of the economic problems that confront us can best be secured [by] the maintenance of world peace, the appeasement of the social unrest and the removal of dangers that threaten all countries’.

‘We prefer butter’

McDougall’s earlier memoranda had focused on bringing Germany back into the international fold. In the memorandum of December 1936, the German treaty proposal was gone, although the open door to colonial trade remained. The main thrust was now improving standards of living to promote a revival of world trade, soothing the political situation and convincing European governments and peoples that ‘the great democracies have both the will and the power to bring about great improvements in the welfare of their own people and of those of other nations which are prepared to co-operate with them’. Britain, France and the United States had all referred, in declarations on signing the Tripartite Declaration, to the need to raise standards of living. McDougall wanted those three countries to go further. People everywhere were realising that ‘poverty is not inevitable but due to faults in the productive and distributive system’. McDougall was encouraged in this view by the recent election of reform-oriented governments in the United States and France, which seemed to show increasing pressure for government action to improve the lot of the poor. He therefore called for a ‘direct attack upon low standards of living conducted both on the national and [the] international plane’. ‘Dynamic economic and social policies’ would show democratic countries were better able to achieve comfort and wellbeing for their peoples than the fascist or communist states, and would expand the volume of international trade. Most European states should then rally to the democratic countries and peoples of fascist states would be presented with ‘an attractive alternative to preparations for war’.

The general idea could be colloquially expressed as follows:—Certain dictatorial people have declared their preference for guns rather than

64 NAA, M104/1, 4, typescript of speech to 17th Assembly, 29 September 1936.
butter. This unfortunately compels the democracies in their turn to secure a sufficiency of guns. But we prefer butter, and we propose to collaborate with all nations who will join with us in securing more butter.66

ILO-based international measures and national policies could achieve increased purchasing power, improved social services and working conditions, and reduction of costs through efficiencies in food production and distribution.67 McDougall paid particular attention to the contribution of improved nutrition to economic appeasement, using familiar arguments about its potential to affect consumption and trade, and a new addition: the relevance to defence preparations of a policy to ‘encourage a maximum diversity of agricultural production’.68 A section of the memorandum was devoted to reduction of trade barriers, including suggestions that the United States accept more imports and that the United Kingdom accept more goods from Europe. McDougall admitted that this seemed to be a reversal of protection policies advocated in 1931 by many (including, of course, McDougall himself), but European markets were essential for the development on which the import levels of the overseas empire depended. He again urged restructuring of tariff policies to encourage rationalised industrial production. He called for British and dominion governments to take ‘parallel action’ with Cordell Hull’s attempts to liberalise trade by bilateral treaties and a colonial open-door policy, possibly subject to an ILO convention, and perhaps dependent upon reductions in European tariff barriers.69 In summary, he was proposing that democratic nations resolve to ‘revitalize the world’s trade’, be prepared ‘to share their economic advantages’ in return for political cooperation and ‘hold up to the world the ideal of human progress and culture as the alternative to dreams of national aggrandisement achieved through force or the threat of force’.70

66 Ibid., p. 3.
67 Ibid., pp. 5–11.
68 Ibid., pp. 12–16.
69 Ibid., pp. 16–26.
70 Ibid., p. 26.
‘Any economic proposal emanating from Australia wants watching’

Bruce made a few minor suggestions, but in the next few weeks used all of his considerable status and contacts to place ‘private’ copies of McDougall’s December 1936 memorandum with carefully chosen recipients. He presented it to J. L. A. Avenol, Secretary-General of the League of Nations, as an approach to the political problems of Europe ‘from a somewhat different angle from the usual proposals for a frontal attack upon the high tariffs and other restrictions’. Other recipients in London included Anthony Eden, Leith-Ross, Treasury’s personal adviser to the Prime Minister, Sir Horace Wilson, former prime minister Ramsay MacDonald and Sir Montagu Norman. A copy later reached Runciman. Copies were sent to the British Ambassador in Berlin, Sir Nevile Henderson, and to the Prime Ministers of Belgium and the Netherlands. At the League of Nations, besides Avenol, copies went to Alexander Loveday, to Paul Stoppani and to H. B. Butler, Director-General of the ILO. A copy sent to US Ambassador Robert Bingham could thence have reached Cordell Hull, causing Eden to write, on a note to that effect, ‘Is not this unusual?’

Figure 14 F. L. McDougall with J. L. A. Avenol, Secretary-General of the League of Nations.

Source: E. McDougall.

71 NAA, M104, 5/2, Bruce to Avenol, 1 March 1937.
72 Ibid.
73 UKNA, FO371/21215, 125552, W6363, minute by Jebb, 17 March 1937.
Foreign Office officials commented at length upon ‘Economic Appeasement’. Gladwyn Jebb, strongly supported by Ashton-Gwatkin, minuted that, in common with Leith-Ross, the Economic Section believed it contained some good suggestions including negotiation on the basis of standards of living; association of the ILO with any possible action; the tariff revision proposals from the Hall memorandum; countering the claims of ‘have-not’ nations with an open-door trade policy; reconsideration of imperial preference; and the use of League machinery to further ‘economic appeasement’. The paragraphs on nutrition, however, were ‘anathema to certain Government Departments here’, and Leith-Ross was sceptical of their utility. Jebb suggested that the proposals be recommended to the Board of Trade as offering ‘a distinct—perhaps the only—hope of avoiding or moderating further political complications in Europe’. They might be discussed unofficially at a meeting between Leith-Ross and Dr Hjalmar Schacht, the moderate German Minister of Economics replaced by Göring in 1936 but still in Cabinet as President of the Reichsbank, as an attempt to divert Germany’s colonial demands and as a means of gaining time by ‘economic appeasement’. ‘It may well be that this is impossible; I do not rate the chances very high; but it is my considered belief that unless we do something very soon we shall wake up one Sunday morning to find ourselves with no time left to gain.’

In the ensuing debate within the Foreign Office, officials tended to judge McDougall’s memorandum in two contexts: the debate on policy towards Germany; and the sour legacy of Australian trade diplomacy since Ottawa, in which McDougall had played a significant role. William Strang, head of the Central Department responsible for policy on Germany, was critical of both style and content of the memorandum, which was ‘not well arranged…much too long…[and] contains a number of questionable statements’. Insuperable difficulties were likely to prevent a complex three-power economic agreement; if it were achieved, the example of improved living standards would be slow to take effect. The problem should not be oversimplified: ‘As between politics and economics it is not easy to say which is hen and which is egg.’ The Nazis had not attained power through economic forces alone, nor would economic action alone ‘exorcise the Nazi devil’. Higher standards of living would have uncertain appeal in a Germany where ‘what they value, in theory at any rate, is the creative struggle for something higher than mere bread’. Many of the suggestions, particularly those from the Hall memorandum, were worthwhile in themselves, but he doubted the time was right for an approach to Schacht. The German propaganda machine had been ‘working full blast on the theme of colonies: it may soon begin to proclaim the iniquity of British commercial policy and to arouse indignation among Germany’s fellow-sufferers. There is no

74 Ibid., W373/5/50, Minute by Jebb, 9 January 1937.
doubt some case to be made against us.’ The post-1931 tariff changes had forced trade into ‘unnatural channels’. Sooner or later talks like those proposed by Jebb would probably be necessary, but Strang thought Britain should wait until ‘more authoritative and more official approaches’ were made by Germany.75

J. M. Troutbeck of the American Department questioned Bruce’s motive in giving a copy directly to the US Ambassador: ‘No doubt it will find its way to the State Department and encourage Mr Hull to believe that he has the Australians behind him in his endeavour to wean us from our present commercial policies.’ Indeed, the ‘rather turgid rhetoric of the memorandum seems designed to appeal to Washington rather than to Whitehall’. Troutbeck doubted whether ‘the Australians have an exaggerated regard for the interests of the UK, or indeed for anything outside Australia’s particular welfare. Throughout the long drawn out discussions on meat, for example, they have clung to their pound of flesh and more beside.’ If Bruce were genuine then his suggestion was timely, since the Americans would demand some dominion sacrifices in return for a commercial agreement with Britain. But the immediate beneficiaries of the scheme would be the dominions and foreign countries, and ‘any economic proposal emanating from Australia wants watching’.76

Jebb admitted that Troutbeck’s suspicions and Strang’s misgivings were justified, but thought them not sufficient to destroy the value of McDougall’s proposals. He nevertheless modified his earlier recommendation, suggesting that a minute to the Board of Trade should simply mention Bruce as one of several authorities recommending revision of British tariff policy.77 Again, he was supported by his chief, who gained Strang’s agreement to the proposed minute. Ashton-Gwatkin believed there was a movement towards a liberalisation of UK tariff policy, which ‘may improve the chances of peace in Europe (& perhaps the Far East, too). It is for us to see if we can push the movement in this direction.’ He instructed Jebb to draft the proposed letter to Runciman, adding ‘there is much wisdom in [Strang’s] minute—and much blather in McDougall’s memo. But the latter is on the side of the angels.’78

In the event, the Foreign Office made no recommendations on McDougall’s December 1936 memorandum, beyond mentioning it in a longer paper dealing with the effect of British tariff policy on foreign relations, and recommending establishment of a ministerial committee.79

75 Ibid., 13 January.
76 Ibid., 14 January. In a brief search in US National Archives, I found no record of the memorandum reaching the State Department, but cannot rule it out.
77 Ibid., 15 January.
78 Ibid., 17 January.
79 UKNA, FO371/21215, 125552, W6363, minute by Jebb, 17 March 1937.
‘The revival of world trade is of first importance’

Bruce was not yet defeated. Empire leaders gathered for an Imperial Conference in May 1937. Briefings for the Australian delegation by officers of the newly formed Department of External Affairs, including two who had been in close contact with Bruce and McDougall, former Liaison Officer in London F. K. Officer and his successor, Alfred Stirling, reported wide discussion of means to ease German economic difficulties as a ‘safety valve to ensure peace’; action could begin with a pact with Australia and New Zealand to import more German manufactured goods. The hands of McDougall and Bruce could be discerned in a section of Lyons’ opening speech on economic policy, which included the statement that markets beyond the Empire and an increase in world trade were essential.

Economic policy, however, also has profound effects upon the political relations of the countries of the world. Today we are confronted by the picture of a world in which science has made possible standards of living for all countries far in advance of anything previously experienced and yet in which poverty and unemployment have led to grave political discontents.

There is thus urgent need for wide policies of economic appeasement if our endeavours to bring about peaceful conditions in the world are to be successful.

For this purpose the revival of world trade is of first importance.

Canada’s Prime Minister, W. L. Mackenzie King, had been persuaded by Cordell Hull to plead the case for liberalising trade through a series of bilateral agreements, in the hope that Axis nations would perceive the benefits, join in and open the way to discussion of political problems. King duly told the conference that political tensions would not lessen without economic appeasement and ‘abatement of the policies of economic nationalism and economic imperialism’. Eden acknowledged that many believed economic appeasement provided ‘the key to our difficulties’; most political problems had ‘an economic problem inextricably entwined’. The conference’s final statement included a declaration of readiness to ‘co-operate with other nations in examining current difficulties,

---

81 *DAFP I*, 25, Speech by Lyons, 14 May 1937, pp. 69–70.
including trade barriers and other obstacles to the increase of international trade and the improvement of the general standard of living’, in the interests of prosperity and international peace.84

In rhetoric, the conference was a success for economic appeasement. But these were ‘motherhood’ statements, swamped by overwhelming attention to foreign relations and defence issues in an atmosphere of urgency and crisis. Bruce understood the reluctance of Australia’s government, facing an election later in 1937, to appear to be ‘prepared to give up any rights that Australia might at present have in the British market’ in the cause of a British–American trade agreement or, presumably, of other measures likely to contribute to economic appeasement, but he was also anxious to avoid any impression that dominion reluctance to discuss concessions was the only obstacle to a trade agreement between Britain and the United States. He suggested a statement asserting that the Government ‘would only agree to forgo anything we at present have if as a result we saw an expansion in the markets for our exports’.85

Bruce could exercise paramount influence on Australian policy as it was presented in international forums, but the international bias of his thinking became increasingly alien to the mood and realities of Australian domestic politics. Paradoxically, as Turnell points out, he was, with McDougall, ‘an initiator of what was seen to be the policy of Australia’.86 ‘What was seen’ would have encouraged British policy in favour of economic appeasement, if only because it seemed to carry no threat to empire unity. In fact, if ‘economic appeasement’ were pursued as McDougall and Bruce proposed, it held no imperial relationship sacred: it was an emergent internationalism that transcended the Empire. If it worried some politicians and officials in London, it could have caused much more concern in Canberra.

Jebb later recalled that ‘the drive to “Economic Appeasement” began to peter out’ from early 1937, though debates on financial and economic assistance and approaches to Germany continued.87 Neither Bruce nor McDougall was yet ready to abandon the campaign. McDougall continued to develop his ideas in memoranda. The Van Zeeland report, finally completed in January 1938, proposed an offer of financial aid to Germany and Italy in return for undefined political, financial and commercial concessions in a ‘Pact of Economic Collaboration’. But Van Zeeland had neglected what McDougall still saw as the key to success: appeals to the idealism and self-interest of ordinary citizens.88 By then McDougall was prepared to admit that the dictators had succeeded

84 DAFP I, 45, 14 June 1937, p. 162.
85 NAA, M104, 5/1, Bruce to Lyons, 23 June 1937.
in ‘persuading their peoples that glory, prestige and military power are more desirable than human welfare’, but he clung to a hope that the combined effects of autarky and rearmament on standards of living might yet prove to be their ‘Achilles heel’.89 Once again McDougall suggested a declaration of intention to improve living standards by attention to nutrition, housing, efficiency and diversity of agriculture, together with settlement of problems of raw materials, colonial trade and migration, calling for a ‘vigorous lead’ from Britain and France in association with the League. He added: ‘the United States of America appears to be the only country where Government is attempting to interpret its efforts towards international economic co-operation in terms which will appeal to the average citizen.’90 In spite of his concerns about US isolationism, McDougall had identified the direction in which his own ideas were tending with other strands of thought in the United States.

Bruce felt strongly enough to take the issue to new Prime Minister, Neville Chamberlain, in a letter that followed the lines of ‘The Road to Economic Appeasement’.91 An unidentified Foreign Office commentator described Bruce as ‘next to Mr Cordell Hull the principal apostle of economic appeasement, i.e. of a relaxation of protective measures as a necessary prelude to political settlement’. The commentator took issue with a claim in Bruce’s letter that attempts to solve economic problems had failed because they did not appeal to the interests of ordinary people. There were other reasons, including governments putting military aggrandisement ahead of economic advantages. Of the democracies, neither France, hampered by financial difficulties and a weak franc, nor the United States, its Congress dominated by isolationists, could play a significant role in international economic action. Great Britain had done all it could: it had no exaggerated protective measures and had modified its trade barriers against manufactures. Its best contribution should be conclusion of a bilateral agreement with the United States. He added that most matters raised by Bruce were already the subject of action by the League of Nations. Bruce had made no specific requests, other than a British–American declaration in favour of peace, limitation of armaments, higher standards of living, fewer obstacles to trade, maintenance of commodity prices and stabilisation of currencies. The commentator doubted the usefulness of a non-specific manifesto to which totalitarian states were not party. It might have some ‘psychological value’, but the League was dependent on national states for practical action. A chilling conclusion warned that accentuating the difference between living standards in the democracies and those of the totalitarian states might ‘make it more difficult for the democratic powers to organise their peoples for the sacrifices that they may be called upon to make’.92

89 Ibid., pp. 1, 4.
90 Ibid., pp. 6–9.
92 Ibid., p. 177.
Attention had shifted from avoiding war to preparing for it. Late in 1938, shortly after the Munich Agreement, McDougall joined Orr and Hall in an attempt to persuade the British Government ‘to take seriously and put into practice’ consumption and nutrition policies, to increase empire preparedness and foreign support. Notes of the discussion reflect an atmosphere of crisis. Having failed to interest the Prime Minister, they proposed to lobby the City and industry. Preparedness and national unity demanded moral leadership and economic strength. Policies to increase consumption would persuade less prosperous Britons that their own social system was worth defending; sound nutrition would contribute to defence and to health. McDougall now used ‘economic appeasement’ as a broad term for reform of commercial policy to combat subsidised foreign exports; to provide loans and technical advice to assist reorientation of agriculture in Eastern and south-eastern Europe, the Near and Middle East and British colonies; and for any measures to increase prosperity throughout the world. Sympathetic support for Britain would depend on ‘really liberal policies in regard to such questions as trade with non-self-governing areas and availability of raw materials, allowing foreign countries the fullest access to markets’. The only answer to a looming US recession, affecting raw materials and world economies, he argued, was increased consumption; nutrition policies would be ‘a sure basis for both preparedness for defence and for appeasement...a fresh stimulus to the “peace” trades in this country and a check to the psychology which makes for recession, will react favourably upon our external relations’. Though he urged an agricultural policy adequate for defence, McDougall did not suggest self-sufficiency; losing control of the sea lanes would mean defeat. But the prospect of interrupted sea-borne trade should be faced, and Britain should specialise in products such as fruit, vegetables and dairy products. McDougall was not alone: a study by Viscount Astor and Seebohm Rowntree similarly urged an agricultural policy preparing for war and based on production of protective foods. The authors recommended storage of imported cereals, increased livestock production as ‘little granaries of corn’ to be slaughtered at need, increased production of protective foods, and ‘in the forefront of our proposals a national policy of improved nutrition’.

Economic appeasement, like political appeasement, ‘presupposed a rational element in Nazi Germany’ seeing that Germany’s best interest lay in cooperation; that element existed, but it ‘existed powerlessly within an essentially irrational system’. In the months before the Munich Agreement and in his subsequent assurance of ‘peace in our time’, Chamberlain and those who supported him

---

93 NLA, MS6890/4/5, ‘Notes’, 22 October 1938.
94 Ibid., ‘Notes on Agriculture and Defence’, 16 November 1938.
95 Ibid., ‘Notes on Agriculture and Defence’, 16 November 1938.
failed to understand ‘the irrational dynamics of Nazism’. 97 Chamberlain had reached that understanding by 1939. He tried to dissuade Roosevelt from sanctioning Under Secretary of State Sumner Welles’ last attempts at negotiation with the Axis powers early in 1940, and spoke to Welles ‘with white hot anger’ of the German Government’s deceit and Hitler’s determination to dominate Europe. Welles himself eventually acknowledged Mussolini’s ‘obsession’ to recreate the Roman Empire, and that in Germany ‘lies have become truth; evil, good; and aggression, self-defense’. Roosevelt declared on 29 March 1940 that there was ‘scant immediate prospect’ of establishing peace in Europe, though he privately continued to press the British to state that they wanted only security, disarmament, equal access to raw materials and markets, and not the breakup of Germany. Germany’s invasion of Norway and Denmark in April ended any possibility of peace negotiations. The US Administration then depicted the Axis powers as an ‘ unholy alliance…seeking to dominate and enslave the human race’, insisting that experience of the past two years had ‘proven beyond doubt that no nation can appease the Nazis’ and that there ‘can be no appeasement with ruthlessness’. ‘Like the British it now knew that the regime in Berlin had to be vanquished.’ 98

Bruce and McDougall would doubtless have endorsed Jebb’s account of the mood of the time: ‘we all felt in our bones that war was probably coming—it hung all the time like a black cloud at the back of my own consciousness—and that all means of avoiding it must at least be considered, however unorthodox they might be thought to be.’ 99 All three had helped provoke discussion on an issue they believed to be vital, and which was already widely discussed. Their efforts became only a tiny strand in the complex web of British policy formulation. In the light of subsequent understanding that their ideas could not have succeeded, ‘appeasement’, whether economic or political, has lost its sense of peace and comfort. Unfairly, to those who promoted it, the word is now irrevocably tainted with betrayal.

**Revitalising the League**

McDougall had concluded his memorandum on economic appeasement in late 1936: ‘If the nations learn to turn to the League for information, help and advice on economic and social questions, the prestige that has been lost on the political plane may be regained on a firmer basis.’ 100 He took up his appointment to the Economic Committee with ideas for ‘a wider program [of economic activity]

---

100 NAA/CSIR, A10666, [5], ‘Economic Appeasement’, 21 December 1936.
than mere [tariff] barrier sweeping'. In July 1937 he predicted that a sense of futility and hostility would inevitably accompany a concentration on political discussions. ‘Special prominence’ should therefore be given to economic issues in speeches at plenary meetings. There would be no lack of positive material. The 1937 League Assembly would have before it information on progress of a report into means of reducing obstacles to world trade by Belgian economist and Prime Minister, Paul Van Zeeland, commissioned by the British and French Governments, and that of a League committee inquiring into access to raw materials. The Economic Committee’s report to the Council would emphasise the importance of measures to improve living standards, and there would be the final report of the Mixed Committee on Nutrition. The Second Committee would have the opportunity to consider his own memorandum on economic appeasement, which was published as an annex to the Economic Committee’s report. This body of evidence should present ‘a picture of the League of Nations actively concerned to secure a general improvement in human welfare through practical economic measures’, resulting perhaps in a ‘greater spirit of co-operation than has existed for several years’. The Second Committee should recommend investigation of ‘subjects of great significance to economic welfare’: avoidance or amelioration of a slump; the standard of living; trade barriers; agricultural credits in peasant Europe; and the extension of the Tripartite Agreement towards progressive decontrol of currencies and other factors affecting monetary policy.

The Economic Committee’s report in September, however, was less positive. Removal of obstacles to trade had been slow; self-sufficiency remained a problem; and any trade improvement derived largely from rearmament, which must ultimately ‘frustrate any tendency towards the raising of the standard of living’. There remained some hope for improved economic activity. The Mixed Committee had shown ‘the unwisdom of maintaining high food prices and limiting exports’. International action might include a joint statement, affirming general objectives that should include peace, prosperity and improved standards of living.

McDougall had hoped in vain for determination in Second Committee to cooperate on reducing trade restrictions. Van Zeeland’s report had not yet been completed; it was to prove disappointinglly lacking in practical proposals for joint action when it was produced early the following year. The committee’s rapporteur gloomily summed up discussion: ‘Countries did not seem disposed

---

101 LN, 1933–40, 10A, 27571/357, McDougall to Stoppani, 5 February 1937.
103 Ibid., pp. 2–5.
to try and find suitable means...to enable them to emerge from their isolation and enter the world flow of trade once again.'\textsuperscript{105} McDougall’s own paper drew almost no comment. Enthusiasm for economic appeasement was muted. He did succeed in amending a sentence about the effect of improved economic relations on political relations from ‘there might be some justification for hope’ to ‘there is indeed justification for hope’\textsuperscript{106}. Anodyne resolutions reflected the equivocal nature and outcome of the debate, requesting the Economic and Financial Committees to continue their studies into ways of removing trade barriers and exchange controls, appealing to ‘all countries concerned to lend every possible support...in order to arrive at practical results’\textsuperscript{107}.

Plans to extend the work of the Economic Committee were more successful. Bruce told the Assembly he could not accept a view that political appeasement must precede economic cooperation: ‘our political difficulties arise...in a considerable measure from economic causes. With poor and insecure living standards, with low incomes, a poor scale of consumption, with fear of unemployment ever present, individual and family life becomes depressed and hopeless.’ In these circumstances ‘people are driven to seek distraction or inspiration in exaggerated forms of nationalism and in dreams of national aggrandisement’. Bruce reminded the Assembly that economic and financial problems affected people’s lives, ‘the way which human beings are fed, clothed and housed, and on the quality of health and general welfare which is possible for them’. The response to his invitation to the Assembly to consider the question of nutrition had exceeded anything he had dared hope for, but had also revealed the extent of malnutrition and its effects; he now called upon the League to ‘face realities’ and to exercise ‘constructive and heartening’ leadership on economic and social questions. ‘By these means we shall best restore the prestige of the League in the eyes of the world and carry out the great responsibilities that rest upon us.’\textsuperscript{108}

As McDougall had suggested in ‘Keynote of the Next Assembly’, Bruce followed this remarkable speech by successfully proposing a series of League inquiries into means of raising standards of living, of prevention or mitigation of depressions, and into agricultural credits with special reference to Central and Eastern Europe. In the first step towards the Bruce Report, another resolution invited the council to inquire into the structure and functions of the Economic and Financial Organization.

\textsuperscript{105} Ibid., \textit{Official Journal 1937, Special Supplement 171}, Minutes of the Second Committee, M. René Brunet of France, introducing his draft report, 30 September 1937, p. 95.
\textsuperscript{106} Ibid., p. 97.
\textsuperscript{108} Ibid., Appendix A, speech by Bruce, 21 September 1937.
A leading article in *The Times* commended Bruce’s constructive approach at the 1937 Assembly, linking it with Cordell Hull’s bilateral treaties campaign and the idea of cooperation in the cause of peace between nations within and outside the League. The editorial commented that Bruce ‘clearly had in mind’ McDougall’s ‘instructive memorandum’ of which it had published a full summary a few days earlier. The leader writer doubtless knew exactly whence Bruce drew his inspiration, given McDougall’s close ties with Printing House Square. Turnell suggests that from the nutrition campaign until after World War II, *The Times* gave ‘saturation coverage’ to McDougall’s and Bruce’s ideas.

### Standard of Living Inquiry

The Economic Committee’s agenda in December 1937 included preparation of a regime of permanent guarantees for free circulation of raw materials; demographic questions and emigration; and preliminary discussion of the standard of living inquiry proposed by Bruce. On McDougall’s recommendation, Professor Noel Hall was invited to draft a substantial paper to guide that inquiry, subject to discussion with a small subcommittee, which included McDougall. Stoppani expected that directions for the major paper would be prepared jointly by Hall and McDougall.

Hall’s memorandum, ‘National and International Measures to be employed for raising the Standard of Living’, was circulated to the Economic Committee as a basis for discussion. Many of McDougall’s ideas are represented within it, not least his emphasis on the central importance of raising standards of living. But whereas McDougall’s aim was always to simplify and persuade, this paper—the work of a professional economist—stressed the complexity of the problem. There was no easy answer. On the contrary, there was danger in promoting a general international or national policy without proper consideration of all its aspects. A ‘practical study of the economics of consumption’ was needed, for both national and international levels. Problems of the organisation and control of production, of finance and of international trade should be combined with a study of consumption, the constituents of real income and the capacity of the individual to increase his standard of living. Price movements had variable and complex effects on consumption. He noted that higher prices lowered consumption of ‘protective foods’ to a greater degree than that of energy foods, and referred to McGonigle’s much quoted study, ‘Poverty, Nutrition and the Public Health’. The paradox of poverty in the midst of plenty could only be

---


111 LN, 1933–40, 10A, 31123/31123, part 1, McDougall to Stoppani, 13 October; Stoppani to McDougall, 30 October 1937.
resolved by painstaking study of prices, of demand and of effects upon costs and earnings of changes in the relative quantities of different goods produced. All of these touched on government policies, but ‘policy can only be rightly framed when all aspects of the problem have been considered’. Hall therefore proposed a study ‘distinctive in the fact that it will emphasise the inter-relationships of previous sectional inquiries’, but focused on the problem of raising the standard of living. ‘It is this problem which is capable of providing a new dynamic to economic policies both national and international.’ The inquiry would involve ‘pioneer work in a subject which is co-extensive with the whole international economic system’. In at least one sense this was McDougall’s document: it proposed exactly what he hoped the Economic Committee would do. Sadly, time ran out before Hall’s plans could be achieved.

Following the report of the first committee led by Bruce to inquire into the structure of the League Economic and Financial Organization in 1937, officials in Whitehall discussed a proposal by League Secretary-General, Joseph Avenol, for an ‘economic superman’ to coordinate the work of the Economic and Financial Committees and to ‘inspire and activate the various inquiries’ then under consideration by both committees. The records demonstrate a general approval of Bruce the man, if not of his economic views, but little enthusiasm for McDougall. Ashton-Gwatkin noted that the League Secretariat wanted Bruce for the role, and that F. P. Walters, a senior league official, believed an otherwise very busy Bruce would be able to manage, ‘with McDougall’s help’. Leith-Ross had ‘great admiration for Mr. Bruce’s personality’ but thought he lacked competence to deal with technical questions, adding, ‘you know McDougall as well as I do, and I can only say he has just joined the Economic Committee himself’. It would be a mistake, he argued, to put the work of technical experts under a political director. R. M. Makins suggested McDougall hoped for the position of an economic éminence grise. The Junior Foreign Office Minister, Lord Cranborne, noted:

No doubt Mr. McDougall will move heaven and earth to get [Bruce] to accept. Mr M. is, and always has been, an intriguer of the first order… but whatever happens, we should not risk hurting Mr. Bruce, who has very definite views on economic subjects, to which it is probably true that he feels that HMG have not always been over-sympathetic.

The offer was made, but Bruce did not accept it.

112 Ibid., League Document E.1008, 30 November 1937.
113 UKNA, FO 371/22516, note by Ashton-Gwatkin, 10 January 1938.
114 Ibid., letter from Leith-Ross to Ashton-Gwatkin, 12 January 1938.
115 Ibid., memorandum by R. M. Makins, 20 January 1938.
116 Lee, Stanley Melbourne Bruce, p. 124.
The Bruce Report

The League’s ‘technical’ work strengthened as its political authority waned in the 1930s, and greater collaboration between League bodies and others increased to that end. The Health Organization took initiatives of its own; the Mixed Committee on nutrition broke through boundaries and drew on experts within and beyond the League, encouraging and cooperating with national nutrition committees around the world. A similar pattern was undertaken for work on housing. Yet, at the top, technical agencies remained subject to a Council whose diplomats and politicians lacked the expertise to do more than authorise circulation of technical reports for debate in the Assembly. A system suited to promoting formal agreements between governments was ‘totally inadequate’ to new forms of action. ‘What was needed was a directing body of responsible ministers corresponding in authority to a Council of Foreign Ministers and meeting…regularly and frequently.’

In 1937 a committee chaired by Bruce therefore suggested changes in control of the Economic and Financial Organization of the league. These proposals were elaborated by the Committee for the Co-ordination of Economic and Financial Questions, which met in May 1938—again with Bruce as Chairman. A year later, he chaired the Special Committee on the Development of International Co-operation in Economic and Social Affairs, generally remembered as ‘the Bruce Committee’. Its report, ‘The Development of International Co-operation in Economic and Social Affairs: Report of the Special Committee’, was submitted in August 1939 and known as the ‘Bruce Report’, recognising ‘the decisive contribution made to it at every stage by the Australian statesman’.

The Bruce Report recommended a permanent change in terminology and in structure. It argued the inadequacy of the phrase ‘technical problems’ and of the distinction made in the League between ‘political’ and ‘technical’: ‘So called “technical problems” are in every country political questions, frequently the cause of internal controversy and often necessitating international negotiation.’ The committee therefore used the term ‘Economic and Social Questions’. It pointed to

the growing extent to which the progress of civilization is dependent upon economic and human values. State policies are determined in increasing measure by such social and economic aims as the prevention

118 Ibid., p. 38. The report was officially published as LN, A.23. 1939. A copy included as a special supplement to the *Monthly Summary of the League of Nations*, August 1939, is in NAA, M104, 7/1. The following page numbers are cited from this copy.
of unemployment, the prevention of wide fluctuations in economic activity, the provision of better housing, the suppression and cure of disease…

Modern experience has also shown with increasing clearness that none of these problems can be entirely solved by purely national action. The need for the interchange of experience and the co-ordination of action between national authorities has been proved useful and necessary time after time in every section of the economic and social fields.119

The League was not simply a body to prevent war: more than 60 per cent of its budget was devoted to economic and humanitarian work, benefiting both members and non-members. All countries faced similar problems and could benefit from sharing experience with other states. All were concerned with the economic welfare of their citizens and with nutrition, housing and health: ‘And all these questions are subject to scientific treatment. What is required therefore, and what is being accomplished, is a joint and intensive study of those common problems on which the security of all nations and all classes of the population depends.’120

The report argued for fuller participation of non-member states and more central direction in view of the ‘growing intertwining of the different branches of the work’. It sought greater publicity and a platform for discussion to make use of ‘the only really potent instrument of progress—an enlightened public opinion’.121 It proposed that economic and social work be overseen by a new ‘Central Committee for Economic and Social Questions’, comprising representatives of 24 states and up to eight experts, with member and non-member states participating on an equal footing.122 The report was approved by the League’s last full Assembly on 15 December 1939. Its principles were to be ‘effectively embodied’ in the Economic and Social Council of the United Nations (ECOSOC).123

The Bruce Report stressed the interconnection of social and economic problems: ‘social welfare, the care of the child, and the protection of the family, link up directly with the problems of better housing and of better feeding. These in turn are in many ways dependent on economic conditions, on transport facilities and on methods of taxation.’124 It has been suggested the report ‘smacked of a radical humanism rather foreign to the international organisations set up in the 1940s’, and that Australian policy on economic questions in the 1940s, such

120 Ibid., p. 8.  
121 Ibid., p. 17.  
122 Ibid., pp. 19–22.  
as the full-employment approach—sometimes seen as ‘essentially novel’—was foreshadowed in the 1930s by men such as McDougall and Bruce, who were aware of the ‘potentially radical significance of what they were doing’.  

The Last Assembly

Bruce had done what he could to help bring McDougall’s vision into being, but there were limits to optimism. By 1938 he gave much of his attention to matters of rearmament in Britain and in Australia. He oversaw preparations to protect occupants of Australia House against gas, splinters and incendiary bombs. An air-raid shelter for 500 people was created in the basement, with air filtration, a decontamination centre, internal emergency lights and power supply, sandbags and protective window coverings. Beyond that, he reported to Canberra, protection of the building against high explosives was not practicable.

Bruce and McDougall did not abandon the League on the outbreak of war. In October 1939, Bruce, Stirling and McDougall agreed with Australian Prime Minister, R. G. Menzies, that the League’s political activities ‘should…be put into cold storage’, but there should be ‘a strong expression of the Commonwealth Government’s appreciation of the value of the economic and social work of the League’ and a decision to implement the Bruce Report, which might well ‘tend to strengthen the general position of the League and may even tend to attract back support of countries such as Italy, Hungary, Yugoslavia and Spain’.

In December 1939, during the uneasy calm of the ‘phony war’, the Soviet Union invaded Finland and three days later Finland appealed to the League. Although Britain and France had decided nothing could be achieved by a meeting except a further demonstration of League weakness, Council and Assembly were now obliged to meet. Despite public sympathy for the Finns, Britain and France were not willing to risk strengthening Soviet ties with Germany or further discrediting the League. Bruce therefore advised Canberra that ‘delegates of secondary importance’ should attend; he was leaving representation at the League’s Twentieth Assembly to McDougall, who was already in Geneva.

126 NAA, A1608, AA15/1/1, cable from Bruce to Prime Minister’s Department, 16 March; letter from Bruce to Lyons, 5 October 1938; undated memorandum, ‘Air Raid Precautions—Australia House’.
128 Ibid., 473, Cable 710, Bruce to Menzies, 8 December 1939, pp. 453–4.
This ‘last piece of meaningless ritual’ must have been a dismal experience.\textsuperscript{129} McDougall was instructed to support an Assembly resolution condemning the Soviet action, which was passed with some abstentions. He was to point out that Commonwealth Government policy was not to impose sanctions unless applied by the whole League membership, but the question of sanctions was not raised. He should consult Canberra and work with the British if the Assembly were asked to give an opinion on the expulsion of the Soviet Union. The Assembly was not consulted; Council members voted in favour with some abstentions.\textsuperscript{130}

With hindsight, ironies can be seen in other business undertaken. In debate over a new scale of contributions, McDougall protested against the relative treatment of Australia and Argentina, and the Fourth Committee agreed the scale should apply for one year rather than three. McDougall stressed the need to reduce Secretariat expenses, especially on political activity. The total League budget was cut by one-third, and League and ILO staff agreed to accept salary reductions ranging from 2 to 20 per cent. A policy of staff reduction would continue. A new Council was elected, but would never meet. Delegates returned home to face the real war; staff of the technical organisations relocated to the United States. ‘The immense palace of the League was empty and silent.’\textsuperscript{131}

Bruce and McDougall continued to push for reformation of the League. Bruce acted promptly to gain British reassurance that a rumoured intrigue by the ILO would not affect British support for implementation of the Bruce Report.\textsuperscript{132} In February 1940, McDougall attended a meeting of the organising committee for the recommended new Social and Economic Central Committee. Before that meeting he wrote to J. H. Willits, Director of the Social Science Division of the Rockefeller Institution, seeking help for a shortfall in the League’s budget. A second letter to Willits, written in very different circumstances on 5 June 1940, maintains an obstinate hope:

...there may appear to be little justification in believing that it is an urgent matter to consider the problems of post-war reconstruction, yet it may well prove that from next October...those of us who feel vitally concerned with this subject may be convinced that there is little time to lose. I feel these things so strongly that I have asked Mr. Bruce to consult with the British Government...and I hope that, as a result, decisions

\textsuperscript{129} Hudson, \textit{Australia and the League of Nations}, p. 94.
\textsuperscript{130} \textit{DAFP} II, 414, Prime Minister’s Department to Bruce, 11 December; 415, McDougall to Department of External Affairs, 12 December; 423, High Commissioner’s Office to Prime Minister’s Department, 20 December 1939, pp. 454–6, 468–9.
\textsuperscript{131} Walters, \textit{A History of the League of Nations}, quoted in Hudson, \textit{Australia and the League of Nations}, p. 94.
\textsuperscript{132} NAA, M100, 1940, records of interview with Junior Foreign Minister R. A. Butler, 2 and 5 February.
may be taken to preserve a strong economic and social organization of the League and with that part of the ILO which can make effective contributions to the subject of post-war reconstruction.133

Conclusion

The efforts of Bruce and McDougall to rejuvenate the League were defeated in the short term by time and circumstance. But the recommendations of the Bruce Report, and its aspirations, were reflected in the establishment of the Economic and Social Council of the United Nations.

McDougall’s attempt to deal with the problem of Germany had expanded the ‘marriage of health and agriculture’ to something much broader: an agenda to draw the poor and the hungry away from the forces of totalitarianism and communism. His thinking had moved beyond the British view of ‘economic appeasement’ as a renewal of old ideas of ‘treaty revision’ to contain Germany’s territorial ambitions and encourage a reversal of autarky, to something closer to the US version, which added to those aims a questioning of existing structures, including the British Empire and its preferential systems, looking instead to a new internationalist social order. Washington wanted to create a ‘New Deal for the World’. McDougall and Bruce were ready to embrace that vision.

133 FAO, RG3.1, Series 1, file 1.C, McDougall to Willits, 30 January and 5 June 1940.