

The global agricultural crisis and British diplomacy in the League of Nations in 1931^{*}

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Abstract

This article examines the genesis and ultimate failure of a lending programme sponsored by the League of Nations to help farmers in central and eastern Europe. This project had strong initial support from several different groups of British officials, for whom it advanced a policy of European engagement. Its short history reveals the complex ways in which the global agricultural crisis influenced British foreign policy during the critical watershed year of 1931. The precipitous decline in world crop prices starting in 1929 gave a strong boost to the movement for empire unity and simultaneously prompted new calls in the League for solidarity between European food producers and consumers. These competing demands decisively constrained efforts to preserve Britain's role in European economic and security politics during the onset of the Great Depression.

1931 was a critical turning point in British policy towards Europe. During the 1920s, British leaders had used the League of Nations to promote political stabilization and economic recovery in continental Europe. Yet when a proposal for an Austro-German customs union in March 1931 unleashed a diplomatic firestorm in Europe that destabilized the League system, the British cabinet deliberately adopted a 'passive' stance. Tensions over the customs union unsettled already-skittish financial markets, leading to a massive banking crisis that spread across central Europe and then reached Britain in the summer of 1931. In a context of skyrocketing unemployment and general disillusionment with government inaction, divisions over the proper response to the weakening pound helped bring down the Labour government in August. This marked the beginning of the 14-year period of the all-party National Government. In September, after having spearheaded the effort to reconstruct the international gold standard, the Bank of England took the pound off gold. The National Government then abandoned Britain's long campaign to promote trade liberalization in Europe and introduced a general tariff as the foundation for a broader system of imperial protectionism.

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While historians have extensively studied the reorientation of British foreign policy in 1931, they have not systematically examined the impact of the global agricultural crisis on this process.¹ This article shows that concern for struggling farmers in the United Kingdom and the Empire was a crucial factor in British diplomacy in Europe in 1930–31. One of the key last-ditch efforts to preserve Britain's role in continental economic and security politics before the fall of the Labour government was a programme of multilateral agricultural cooperation, the International Agricultural Mortgage Credit Company (hereafter, IAMCC). This was a lending scheme sponsored by the League of Nations targeting farmers in central and eastern Europe. This article will trace its genesis and ultimate defeat.

The IAMCC was not, in the first instance, a British project. It was intended to funnel idle capital from France to cash-strapped farmers in central and eastern Europe. It was a response to a request for assistance submitted to the League by a group of central and east European leaders. Although they did not initiate the IAMCC, several different groups of British officials strongly supported it in 1930 and 1931 as part of a broader strategy of European engagement. Leaders in the Bank of England and the Treasury were eager to encourage French capital exports and to bolster confidence in European financial markets in order to reduce pressure on the pound. Arthur Henderson, the Foreign Secretary, hoped to neutralize geopolitical tensions in the Danube basin where it was believed the Germans were trying to create a sphere of influence through food imports from the region. These financial and political objectives became particularly urgent after the announcement of the plan for an Austro-German customs union in March 1931. Advocates of empire unity nevertheless continued to oppose strenuously the IAMCC on the grounds that British money and influence should be used preferentially to help farmers in the United Kingdom and the British Empire.

The precipitous decline in world crop prices starting in 1929 placed new demands on British foreign policy. It gave a strong boost to the movement for empire unity and simultaneously prompted new calls in the League for solidarity between European food producers and consumers. The IAMCC's brief history reveals how these competing demands shaped British diplomacy in the League during the pivotal year of 1931. It also demonstrates the complex relationship that developed between international organizations and agriculture during the Great Depression. Crisis conditions motivated international institutions that were not specifically constructed to deal with agricultural questions, such as the League Financial Committee, to attempt to help farmers. This produced somewhat strained collaborations with established networks of agricultural experts, such as the International Institute of Agriculture.

¹ See notably, D. Kaiser, *Economic diplomacy and the origins of the Second World War* (1980), pp. 81–99; R. Boyce, *British capitalism at the crossroads, 1919–1932: a study in politics, economics, and international relations* (1988), pp. 241–369; P. Williamson, *National crisis and National Government: British Politics, the Economy, and Empire, 1926–1932* (1992); Z. Steiner, *The Lights that failed: European international history, 1919–1933* (2005), pp. 685–796; P. Cohrs, *The unfinished peace after World War I: America, Britain and the stabilisation of Europe, 1919–1932* (2008), pp. 572–602; R. Boyce, 'The Significance of 1931 for British Imperial and International History', *Histoire@Politique* 11 (2010) [www.histoire-politique.fr].

I

In the 1920s, British officials had used the League to promote security cooperation, financial reconstruction, and trade liberalization in Europe. After the war, London-based financial institutions and networks of expertise were at the heart of the movement to reconstruct the international gold standard. London bankers and British financial officials helped to broker a series of League-sponsored loans to the governments of Austria, Hungary, Greece, Bulgaria, Estonia, and the free city of Danzig in order to restore currency stability in central and eastern Europe. Officials in the Board of Trade had also used the League to promote liberal commercial norms through a series of multilateral treaties.² In the second half of the 1920s, the Foreign Office supported a formal but limited British security commitment in Europe. As a signatory to the 1925 Locarno Treaties, Britain guaranteed Germany's western borders. Austen Chamberlain, the British Foreign Secretary from 1924 to 1929, embraced these treaties as the basis for a new Concert of Europe. Chamberlain's successor, Arthur Henderson, was an enthusiastic champion of League-led disarmament but had to balance his ambitions to deepen Britain's engagement in European security politics with a growing movement in favour of empire unity.³

During and after the First World War, Britain had introduced a limited system of imperial tariff preferences; UK revenue tariffs on 'luxury' food items such as dried fruit were applied at a reduced rate to products from the Empire. Conservatives subsequently pushed for a more comprehensive imperial preference regime, but this would have required the introduction of unpopular tariffs on British food imports. The conservatives lost an election focused on this issue in 1923 due in part to voter opposition to 'food taxes'. In the late 1920s, persistent unemployment and declining world crop prices helped increase support in the UK and the Dominions for general tariff protection and for imperial preference.⁴

In the late 1920s, as the cause of empire unity gained ground in Britain, the movement in favour of European economic solidarity developed momentum on the Continent. In 1929, the French Minister of Foreign Affairs, Aristide Briand, attempted to rally advocates of European economic unity around a common programme. He called for the formation of 'some sort of federal link' among European states under League auspices, to begin in the economic domain.⁵

² A. Orde, *British policy and the European reconstruction after the First World War* (1990), pp. 108–145, 266–315; Y. Cassis, *Capitals of capital: the rise and fall of international financial centres, 1780–2009* (trans., Jacqueline Collier, 2006), pp. 161–7; Boyce 'Significance of 1931'.

³ R. Grayson, *Austen Chamberlain and the commitment to Europe: British foreign policy, 1924–29* (1997), pp. 84–93; A. Henderson, *Consolidating world peace* (1931); D. Carlton, *MacDonald versus Henderson: The foreign policy of the second Labour Government* (1970), pp. 73–99.

⁴ I. Drummond, *British economic policy and the Empire, 1919–1939* (1972), pp. 51–70; Boyce, *British*

capitalism, pp. 87–9; J. O'Brien, 'F. L. McDougall and the origins of the FAO', *Australian J. Politics and Hist.* 46 (2000), pp. 165–8; F. Trentmann, *Free trade nation: Commerce, consumption, and civil society in modern Britain* (2008), pp. 222–7.

⁵ On debates about the formation of European sub-structures within the League of Nations, see notably: S. Schirmann (ed.), *Organisations internationales et architectures européennes, 1929–1939* (2003); P. Clavin, 'Europe and the League of Nations', in Robert Gerwarth (ed.), *Twisted Paths: Europe 1914–1945* (2006), pp. 325–54; J. Bariéty (ed.), *Aristide Briand, la Société des Nations et l'Europe, 1919–1932* (2007); M. Schulz, 'Der Briand-Plan und der Völkerbund als Verhandlungsarena für die

The reception of the 'Briand Plan' in Whitehall was generally negative. Many officials worried it would encourage regional alignments in other parts of the globe that would threaten the cohesion of the British Empire. Even those who supported a strong British role in European affairs were sceptical of the scheme, fearing it would weaken the authority of the League. Although he sympathized with these concerns, Henderson could not afford to dismiss the Briand Plan outright. Henderson was deeply committed to League disarmament – he was named the president of the Disarmament Conference in 1931 – and Briand was an important supporter of this cause. Henderson privately informed Briand that Britain would be unable to participate in a European trade system and supported Briand's face-saving move to form a new League study committee, the Commission of Enquiry for European Union. It was presided over by Briand himself and became known as the Briand Committee.⁶

II

In the summer of 1930, the movement to establish a European economic sub-structure within the League was revived by advocates of international agricultural cooperation in central and eastern Europe. They attempted to use the Briand Committee to devise a multilateral aid programme for Europe's struggling farmers.

By 1929 farmers throughout the world faced sharply declining commodity prices and tighter credit conditions. The average price of agricultural exports declined by 20 per cent between 1929 and 1930 and a further 25 per cent between 1930 and 1931.⁷ The price of agricultural goods fell much more rapidly than the price of manufactured goods. For example, in Romania, between 1929 and 1933 the price of imports declined by 34 per cent while the price of exports declined by 60 per cent, which meant that Romania would have to increase its export sales by 25 per cent to maintain the same quantity of imports.⁸ Because interest rates in the world's largest gold repositories – the USA and France – spiked just as crop prices began to plummet, servicing international debts became extremely expensive for agricultural exporters. For example, from 1928 to 1931–32, the cost of debt service as a share of export earnings increased in Yugoslavia from 18.1 per cent to 36 per cent and in Romania from 14.6 per cent to 36 per cent.⁹ Additionally, agricultural exporters faced mounting trade barriers. In Europe, in 1931 tariffs on agricultural

Note 5 continued

europäische Einigung zwischen den Kriegen', *Europäische Geschichte Online* (2010), www.ieg-ego.eu/schulzm-2010a-de; A.-I. Richard, 'Competition and complementarity: civil society networks and the question of decentralizing the League of Nations', *J. Global Hist.* 7 (2012), pp. 233–56; J.-M. Guieu, 'The debate about a European institutional order among international scholars in the 1920s and its legacy', *Contemporary European Hist.* 21 (2012), pp. 319–37.

⁶ R. Boyce, *The great interwar crisis and the collapse of globalization* (2009), pp. 252, 269–70; id., 'The Briand Plan and the crisis of British Liberalism', in A. Fleury (ed.), *Le Plan Briand d'Union fédérale européenne*

(1998), pp. 121–44; Steiner, *Lights that failed*, pp. 585–7; C. Schwarte, *Le Plan Briand d'Union Européenne: De sa genèse au Quai d'Orsay à son échec dans la diplomatie des grandes puissances Européennes (1929–1931)* (2014), pp. 439–49.

⁷ D. Rothermund, *The global impact of the Great Depression* (1996), pp. 38–47; B. Eichengreen, *Golden fetters: the gold standard and the Great Depression* (1992), p. 228.

⁸ I. Berend, *Decades of crisis: Central and Eastern Europe before World War II* (1998), p. 256.

⁹ D. Aldcroft and S. Morewood, *Economic change in Eastern Europe since 1918* (1995), p. 56.

goods were on average twice as high as they had been in 1927 while tariffs on wheat were five times as high.¹⁰

The agricultural crisis that began in 1929 was global in the sense that declining prices were rapidly communicated through commodity markets connecting farmers across the world. Indeed, cliometric historians have emphasized the development of integrated and expansive commodity markets in the nineteenth century as the primary evidence that this was an era of 'globalization'.¹¹ This article demonstrates that the agricultural crisis was also global in the sense that it produced new tensions between and within large supra-national political structures, such as the League of Nations and the British Empire.¹²

In 1929 and 1930, declining crop prices helped strengthen support for imperial preference in the UK and the Dominions. The question of tariff preferences dominated the London Imperial Conference held in the autumn of 1930 and produced considerable tension in the Labour cabinet. At the Imperial Conference, the Canadian Prime Minister presented a proposal to extend greatly existing imperial preferences by introducing a general tariff increase of ten per cent on non-imperial imports. There was a fairly strong consensus against this scheme among Labour leaders – on grounds that it would impose an unacceptable burden on UK food budgets – but there was sharp disagreement over how categorical the Cabinet refusal should be. The Secretary of State for the Dominions, James Henry Thomas, wanted to offer a constructive alternative; he favoured a quota for UK imports of imperial wheat or at least a firm commitment to preserve existing tariff preferences for several years. In contrast, the Chancellor of the Exchequer, Philip Snowden, strenuously opposed both the Canadian preference scheme and Thomas's counterproposals. The Prime Minister, Ramsay MacDonald, eventually persuaded Snowden and Thomas to agree to a middle course: they would maintain current preferences until the question could be revisited at a subsequent imperial conference in Ottawa, planned for the autumn of 1931.¹³

At the same time as Dominion leaders were working to build support for imperial preference in the summer of 1930, there were also new plans afoot to introduce intra-European tariff preferences on agricultural goods. A series of conferences were convened across central and eastern Europe to discuss collective responses to the agricultural crisis. The largest, the Warsaw Conference, gathered representatives from Bulgaria, Estonia, Latvia, Hungary, Poland, Czechoslovakia, Romania and Yugoslavia in August. It submitted a list of resolutions in favour of international economic cooperation to the League Assembly of September 1930. These resolutions proposed a special derogation from existing most-favoured-nation treaty commitments in order to allow West European governments to accord agricultural exporters from central and eastern Europe preferential tariff reductions. They also recommended the

¹⁰ G. Federico, *Feeding the world: an economic history of agriculture, 1800–2000* (2010), p. 194.

¹¹ See for example K. O'Rourke and J. Williamson, 'When did globalization begin?' *European Rev. Economic Hist.* 6 (2002), pp. 23–50.

¹² John Darwin proposes a model of global history that includes both economic 'connectedness' and the confrontation of large structures of political power in

After Tamerlane: the global history of Empire since 1405 (2007).

¹³ Williamson, *National crisis and national government*, pp. 82–3; Boyce, *British capitalism*, pp. 272–5; Drummond, *British economic policy and the empire*, pp. 67–9; A. Howe, *Free Trade and Liberal England, 1846–1946* (1997), pp. 293–4.

creation of cooperative systems of grain storage and marketing in order to stabilize prices as well as an international lending programme.¹⁴

Labour leaders criticized both the proposal for tariff preferences on European agricultural goods and the negative response it provoked from India and the Dominions. In the League Assembly, the delegations from India and the Dominions issued a joint protest against the proposal for European tariff preferences. In her report on the Assembly to the General Meeting of Chatham House, Mary Hamilton, a Labour MP who was on the British League delegation, declared that the proposal for European tariff preferences:

brought the representatives of the Dominions to their feet in a protest as striking as it was naive. It struck them as abominable that we should even discuss regional agreements; it was not a matter within the competence of the Committee at all. They protested against it vigorously ... while reiterating in emphatic terms the unconditional right of Australia, Canada, New Zealand, and so on, to take what steps they thought necessary for the protection of the primary and of the secondary products in their own countries.¹⁵

Hamilton was MP for Blackburn, a declining textile-manufacturing centre that faced catastrophic unemployment in 1930–31. Along with the Chancellor, Philip Snowden, also a former Blackburn MP, she belonged to the wing of the Labour party that opposed the extension of tariff preferences on imperial agricultural imports an unacceptable ‘food tax’ on Britain’s urban poor.¹⁶

Against charges of hypocrisy from Hamilton and other Labour leaders, representatives from India and the Dominions argued that European and imperial tariff preferences were not analogous. They insisted that this type of discrimination was acceptable within a bounded imperial framework, but could not be permitted in the League, which must remain firmly committed to the principle of universal commercial equity. Jehangir Cooverji Coyajee, a member of the Indian delegation to the League Assembly recalled that ‘the proposals of the Warsaw Conference were of great interest to India as well as to other overseas-countries which are mainly agricultural in interests’. He conceded that ‘most’ of the proposals were ‘indisputably of a sound character’, but insisted that ‘it is obvious that the first and most important criticism has to be levelled against the utilization of the League’s machinery and instrumentality for forwarding them’. In sum, Coyajee argued that Europeans should be encouraged to create a preferential regional trade system, but they must do it outside the framework of the League.¹⁷

¹⁴ On the agrarian conferences in Central and Eastern Europe in summer and autumn of 1930: Anon, ‘The International Wheat Conferences during 1930–1931’, *Wheat Studies of the Food Research Institute* 7 (1931), pp. 441–3; DGH, ‘The European agrarian bloc’, *Bulletin of International News* 7 (1930), pp. 3–11; S. Schirmann, *Crise, coopération économique et financière entre États européens, 1929–1933* (2000), pp. 109–13; the Foreign Office followed these conferences very closely. See File 7399 in TNA, FO 371/14936.

¹⁵ H. Dalton and M. Hamilton, ‘The Eleventh Assembly of the League of Nations’ *J. Royal Institute of*

International Affairs, 9 (1930), p. 709; see also TNA FO 371/1495, League of Nations Eleventh Assembly. Report of the Delegates of the United Kingdom to the Secretary of State for Foreign Affairs, 31 Dec. 1930.

¹⁶ Anon, ‘International Wheat Conferences’, pp. 444–5; Drummond, *British economic policy and the empire*, pp. 67–9.

¹⁷ J. C. Coyajee, *India and the League of Nations* (1932), pp. 114–16; on the conflict between imperial and European plans for agricultural preferences, see Schirmann, *Crise, coopération économique et financière*, pp. 97–9.

However, many Europeans strongly preferred to pursue a programme of regional agricultural tariff preferences under League auspices for geopolitical reasons. As of 1930, Germany was the only state that had shown a willingness to grant substantial preferential tariff reductions on agricultural exports from central and eastern Europe. In 1930 German trade officials had begun to explore the possibility of bilateral preference agreements as part of a new strategy of power-projection in central and eastern Europe driven by the Foreign Minister Julius Curtius and the Chancellor Heinrich Brüning. This new strategy was partly a response to the agricultural crisis. The sharp decline in crop prices had given Germany, as the largest food importer in continental Europe, a powerful new source of leverage over its eastern neighbours. Advocates of a more aggressive German foreign policy believed this circumstance must be fully exploited.¹⁸ In 1931, Brüning told his cabinet, 'the strongest weapon at the disposition of Germany in its foreign relations is the fact that we are an importer of agricultural products. This weapon must be kept sharpened'.¹⁹ Curtius and Brüning made little effort to disguise their aim of using food imports to expand Germany's political influence to the East. On the contrary, they were engaging in a strategy of deliberate nationalist grandstanding in order to distract a German public unhappy with Brüning's policies of domestic fiscal austerity and with the recent Young Plan reparations settlement.²⁰

Although they opposed the principle of League-sponsored tariff preferences on European agricultural goods, Foreign Office leaders were also alarmed by the prospect of unchecked German commercial expansion to the East. This problem preoccupied Robert Vansittart, who was officially the top career bureaucrat in the Foreign Office as Permanent Under-Secretary. In May 1931 he wrote a long memorandum analysing the interconnections between economic policy and security on the Continent. In it, he specifically highlighted the growing danger of German 'economic imperialism' for European political stability:

Germany, deprived by the Peace Treaty of her military weapons, is now busy perfecting her economic arm, so that it may serve her, when the moment comes, as a spearhead of attack in the slow campaign for the peaceful domination of Europe.²¹

Vansittart also expressed concern that the formation of an 'agrarian bloc' in central and eastern Europe in 1930–31 would exacerbate rather than defuse geopolitical tensions in the region. He declared:

The world-wide depression of agriculture ... is encouraging a new defensive grouping in Europe of the agrarian countries and those that have failed to industrialise themselves. It is

¹⁸ H. Sundhaussen, 'Die Weltwirtschaftskrise im Donau-Balkan-Raum und ihre Bedeutung für den Wandel der deutschen Außenpolitik unter Brüning', in W. Benz and H. Graml (eds), 'Aspekte deutscher Aussenpolitik im 20. Jahrhundert', special issue, *Schriftenreihe der Vierteljahrheft für Zeitgeschichte* (1976), pp. 121–64; Kaiser, *Economic diplomacy*, pp. 17–56; M. Schulz, *Deutschland, der Völkerbund und die Frage der europäischen Wirtschaftsordnung, 1925–1933* (1997), pp. 174–306; Schwarte, *Plan Briand*, 479–91.

¹⁹ Quoted in Sundhaussen, 'Weltwirtschaftskrise im Donau-Balkan-Raum', p. 137.

²⁰ D. J. Carlton, *MacDonald versus Henderson: the foreign policy of the second Labour Government* (1970), pp. 64–6; Rödder, *Stresemanns Erbe: Julius Curtius und die deutsche Außenpolitik, 1929–1931* (1996), pp. 42–68.

²¹ Boyce, *British capitalism*, pp. 328–9; TNA, CAB 22/221, Robert Vansittart, 'An aspect of international relations in 1931', 14 May, 1931.

too soon to say whether this 'huddling' will work in favour of international co-operation, or only produce another line of cleavage confusing the already existing political affinities. It is, however, a movement capable of political repercussions and to be watched.²²

In this context, the provision of international debt relief offered a potential means to canalize the movement in favour of European agrarian solidarity and to bring it under League control whilst countering German influence in the Danube basin. In September 1930, the League Financial Committee announced that it would begin work on an international agricultural credit scheme at its January 1931 meeting.²³

III

While Arthur Henderson and the Europhiles in the Foreign Office supported an international lending programme targeting farmers in central and eastern Europe for its geopolitical advantages, League collaborators from the Bank of England and the British Treasury supported it because they were eager to encourage French capital exports. They blamed tight French monetary policy for gold shortages in London. They argued that by virtue of an undervalued franc and high interest rates, the Bank of France had accumulated an outsized share of the world's gold supply, without effecting a corresponding expansion of currency and credit. They attempted to promote French foreign lending in order to counteract restrictive French monetary policy. French and British Treasury officials met in the winter of 1930–31 to consider a range of cooperative interventions to help alleviate capital shortages in London. They discussed the proposal from the Warsaw Conference for a programme of international agricultural credit and agreed to support it. This agreement was one of the few positive results of the Franco-British Treasury meetings, as French monetary officials were generally sceptical of the British claims that the accumulation of gold in Paris was evidence of negligence rather than virtuous French policies.²⁴

In 1930–31, French reserve policy was also under scrutiny in Geneva. In 1929, the League Financial Committee had formed a Gold Delegation to study whether a shortage of monetary gold, resulting either from misguided national reserve policies or from an insufficient physical gold supply, might be causing deflation in the world economy. The Gold Delegation provided British advocates of international credit expansion a new platform to promote their views in Geneva, although they formed a minority within its ranks. In 1930–31 several members of the Financial Committee praised the proposal for a League programme of European agricultural credit as a realization of the recommendations of the Gold Delegation.²⁵

²² Ibid.

²³ Archives of the League of Nations, Geneva [LON], F/39ème Session/PV9, Comité Financier. Procès-verbal de la 8ème séance, 9 Sept. 1930.

²⁴ K. Mouré, *The gold standard illusion: France, the Bank of France, and the international gold standard, 1914–1939* (2002), pp. 183–6; Boyce, *British capitalism*, pp. 294–9; Centre des archives économiques et financières, Savigny-le-Temple, B 64341, Reunion chez

M. Germain-Martin, 6 Jan. 1931; Note pour le Ministre, 13 Jan. 1931; Principales contreparties à demander à la Grande Bretagne, 10 Jan. 1931; TNA, Prem 1/105, Agricultural Credits Scheme, 16 May 1931.

²⁵ P. Clavin and J. W. Wessels, 'Another golden idol? The League of Nations' Gold Delegation and the Great Depression, 1929–1932', *International Hist. Rev.* 26 (2004), pp. 765–95; LON, F/40ème Session/PV3, Comité Financier. 40ème Session. Procès-verbal de la troisième

Officials in the League Secretariat also welcomed the opportunity to develop the Financial Committee's role as an agent of international cooperation. The Financial Committee was a consultative body answerable to the League Council and supported logistically by the Secretariat. It was a small group of officials and experts who met roughly three times a year to facilitate international cooperation in the field of financial and monetary policy. In the 1920s, the Financial Committee registered impressive practical achievements. It worked with private banking networks to help negotiate a series of international loans to stabilize currencies in central and eastern Europe.²⁶ The Financial Committee's decision to take up the question of agricultural credit in 1930 represented a bid to extend its competence from macro-economic stabilization to international development. In an article from November 1930, Arthur Salter, the British head of the Secretariat's Economic and Financial Section, singled out the Financial Committee's agricultural credit initiative as an example of the direction that the League's future economic work might take. More generally, the onset of the depression stimulated a new interest in the League Secretariat in alleviating poverty through development.²⁷

This expansion of the Financial Committee's remit to cover international development entailed a modification of its working methods and its networks of collaborators. When it organized currency-stabilization interventions in the 1920s, the Financial Committee recruited ad hoc committees of bankers and experts. They devised customized loans to advance specific fiscal and monetary policy objectives in a single country and then established a supervisory structure to monitor compliance. In response to the request from the Warsaw Conference for international debt relief for farmers, the Financial Committee devised a novel formula: a private company under League patronage would provide sustained access to international financial markets and promote long-term legislative reforms favouring foreign investment and mortgage-lending. To implement this plan, the Financial Committee drew upon its network of collaborators in banking and financial circles as well as new partners including the International Institute of Agriculture (hereafter, IIA) and experts in the field of agricultural mortgage credit. The IIA had worked with other League bodies previously but not with the Financial Committee.²⁸

Note 25 *continued*

séance, 16 Jan. 1931; LON, F/40ème Session/PV8, Comité Financier. 40ème Session. Procès-verbal de la 8ème séance, 19 Jan. 1931.

²⁶ Michel Fior, *Institution globale et marchés financiers: la Société des Nations face à la reconstruction de l'Europe, 1918–1931* (2008); Y. Decorzant, 'La Société des Nations et l'apparition d'un nouveau réseau d'expertise économique et financière, 1914–1923', *Critique internationale* 52 (2011), pp. 35–50; Y. Decorzant, *La Société des Nations et la naissance d'une conception de la régulation économique internationale* (2011); P. Clavin, *Securing the world economy: the reinvention of the League of Nations,*

1920–1926 (2013), pp. 25–33; On the longer history of international financial advising and institutional tutelage, see M. Flandreau (ed.), *Money doctors: the experience of international financial advising, 1850–2000* (2003).

²⁷ A. Salter, 'World finance and economics: the next steps', *The Spectator*, 22 Nov. 1930, p. 24; Clavin, *Securing the world economy*, p. 72.

²⁸ J. Flores and Y. Decorzant, 'Public borrowing in harsh times: the League of Nations loans revisited' (working paper 12091, University of Geneva, Sept. 2012) [www.unige.ch/ses/dsec/repec/files/12091.pdf].

IV

After the Financial Committee announced in September 1930 that it would take up the proposal from the Warsaw Conference for a European agricultural credit programme, preparations began on several fronts. In November 1930 the Polish government hosted a second conference in Warsaw that focused specifically on the question of agricultural credit. Officials from the League Secretariat attended along with bankers and agricultural experts from central and eastern Europe. They drew up a lengthy memorandum describing the credit needs of farmers in central and eastern Europe and suggesting general parameters for an international intervention. They also circulated a survey to gather information about the current lending laws and practices in the region, on the recommendation of the League Secretariat. The results were submitted to the Financial Committee ahead of its January 1931 meeting.²⁹

The experts assembled at Warsaw debated whether the League should focus on intermediate credit (six months to five years) or long-term credit (more than five years). They agreed that long-term loans would be easier to sell to foreign investors because they were more secure and standardized, but they would be inaccessible to many farmers in central and eastern Europe. Banks generally demanded a 'first mortgage' on land as collateral for long-term agricultural credit. This limited the pool of potential borrowers to farmers who could pledge a fairly large piece of land that had not already been offered as security for a prior loan. Moreover, the quality of cadastral surveys was highly uneven in this region, and it was often prohibitively expensive to measure land to be used as security. The Warsaw Conference ultimately recommended that the League provide intermediate rather than long-term credit, as it better corresponded to the timescale of most agricultural improvements, and it could be guaranteed by various types of moveable and immovable property. This would also mean that agricultural cooperatives could be eligible contract loans, in addition to individual farmers.³⁰

Following the Warsaw Conference on agricultural credit, a group of officials from the League Secretariat met to define the broad outlines of an international agricultural credit bank. They determined that the Financial Committee should formally share responsibility for this project with the Briand Committee on European union. This would clearly establish the limited, regional scope of the project. The Secretariat's blueprint identified two key factors that would enable an international agricultural credit bank to provide loans at reduced rates. Firstly, it would help promote the standardization of credit and mortgage laws. Secondly, a demonstration of international solidarity would inspire confidence in lending markets and would improve the bargaining position of borrowers.³¹

After the Secretariat produced an initial sketch of a League agricultural credit bank, the Financial Committee met in January 1931 to flesh out the project's logistical features. Representatives from the Warsaw Conference as well as the IIA attended this meeting. The IIA reported that it had begun studying possibilities for international cooperation in the

²⁹ LON, Section Files, Jan Walré [de Bordes]/S 69 J. W. de Bordes, Note on the Warsaw Conference for Agricultural Credit, Nov. 1930.

³⁰ LON/Section Files, Alexander [Loveday]/S 80,

Memorandum on the problem of agricultural credits for intermediate periods, 19 Nov. 1930.

³¹ LON/ de Bordes/S 69, 'Procedure for the Agricultural Credits Question', nd.

domain of agricultural credit in 1925 and had held a conference of agricultural credit experts in 1926. It circulated two separate questionnaires to roughly four hundred credit institutions to gather information on local needs and lending laws. It then held further expert conferences to discuss the survey results. The president of the IIA, Giuseppe De Michelis, addressed the Financial Committee in January 1931. De Michelis recommended that the Financial Committee 'harmonize' its new agricultural credit initiative with the previous work of the IIA and noted that the IIA had already scheduled its own conference on agricultural credit for May 1931.³² He reported that the IIA's previous research suggested it would be easiest to organize international credit on a long-term basis, by disbursing mortgage-backed loans through established national agricultural banks. This was the basic model that the IAMCC ultimately followed.³³

While the core functional features of the IAMCC were based on recommendations from the IIA, it was the bankers in the Financial Committee, led by Otto Niemeyer, who ensured that the scheme had strong institutional support within the League. Niemeyer had been a senior official in the British Treasury before becoming an advisor to the Bank of England. He served on the Financial Committee from 1922 to 1937. He had played a central role in coordinating the League's currency-stabilization loans to central and eastern Europe in the 1920s.³⁴ He was a director of an agricultural mortgage-credit bank in the United Kingdom, but he approached the discussions concerning the IAMCC mainly from the perspective of international financial markets. He argued that the crucial question facing the Financial Committee was whether it would be possible devise a plan that would attract investors, and he endorsed the IIA's recommendations because he believed they offered the best means of doing so.³⁵ He declared:

This is not an agricultural question at all, but a financial question ... it is not a matter of considering whether it is connected with industry or agriculture or anything else, and if, therefore, we are to do practical work and attain results, the people we have to consult are the general financiers more than the agricultural credit people.³⁶

In the end, the IAMCC was the fruit of collaboration between 'general financiers' and 'agricultural credit people'.

In January 1931 the Financial Committee appointed an Agricultural Credits Delegation, which was composed of members of the Financial Committee, representatives from the IIA, and private bankers from agricultural credit institutions. This delegation met in February 1931

³² LON, F/40ème Session/PV2, Comité Financier. 40ème Session. Procès-verbal de la deuxième séance, 15 Jan. 1931.

³³ LON, F/40ème Session/PV3, 16 Jan. 1931.

³⁴ Orde, *British policy and European reconstruction*, pp. 310–11. While Niemeyer represents a thread of continuity between the early League loans and the IAMCC, there are also important discontinuities. The League's early currency-stabilization interventions were driven by central bankers who conceptualized the Financial Committee as a small, closed club of experts narrowly focused on monetary and fiscal policy, chief

among them Montagu Norman of the Bank of England. Norman decried the diversification of the League's economic goals in the late 1920s. In 1930 he helped establish a new, independent 'gentleman's club' for central bankers: the Bank of International Settlements (P. Clavin, 'Men and markets: Global capital and the international economy', in G. Sluga and P. Clavin (eds), *Internationalisms: A twentieth century history* (2016), pp. 97–108).

³⁵ LON, F/40ème Session/PV3, 16 Jan. 1931.

³⁶ LON, F/40ème Session/PV8, 19 Jan. 1931.

to work out the practical nuts and bolts of the project. It drafted a founding charter for the IAMCC and a treaty defining the obligations of participating governments. It then submitted these documents for approval to the Agricultural Credits Sub-Committee of the Briand Committee, which had been formed to exercise political control over the work of the Financial Committee. More generally, resolving the agricultural crisis in Europe became a central focus for the Briand Committee after January 1931.³⁷

The IAMCC was designed as a private, League-sponsored bank that would sell shares to West European banks and would then issue loans on the basis of this capital to farmers in central and eastern Europe. For the first five years, only European lenders would have access to IAMCC funds. Thereafter, overseas banks would be able to apply to use the IAMCC as well. It was planned to disburse IAMCC loans in central and eastern Europe through government-affiliated national agricultural credit banks.³⁸ These banks provided loans at relatively moderate interest rates but often on a very limited scale. Under pressure from the general international credit crunch beginning in 1928, the few banks that offered such loans were forced to curtail their lending just as agricultural prices began to drop. Growing numbers of farmers had to take out short-term loans from smaller lenders who often charged exorbitantly high interest rates, sometimes as high as 500 per cent per annum. The IAMCC aimed to arrest this trend.³⁹ It would directly inject new capital into national agricultural credit banks in central and eastern Europe. With a reserve of five million dollars, it would be authorized to issue loans totaling fifty million dollars.⁴⁰ The Financial Committee estimated that this sum would be sufficient to convert a substantial portion of the current high-interest agricultural loans in central and eastern Europe into new loans with a more moderate rate. When the Financial Committee first discussed the scheme in January 1931, Polish and Romanian representatives from the Warsaw Conference estimated that agricultural debts in the region totalled two hundred million dollars and that one half of these loans carried 'onerous' interest rates. They admitted that their estimates were probably low, but nevertheless their figures indicate that the IAMCC would have been large enough to make a significant impact on the rural economies of central and eastern Europe.⁴¹

Supporters of the IAMCC also hoped that it would encourage independent private foreign investment and would contribute to a broader shift towards 'productive' long-term international lending. Polish, Hungarian, and Czechoslovak agricultural credit banks had sold bonds on British, American, and – to a more limited extent – French markets in the 1920s.⁴² It was hoped that the IAMCC might pave the way for new private bond issues. In the 1920s,

³⁷ LON, F/CA/1ère Session/PV1–PV12, Délégation du comité financier pour le crédit agricole, Première session, 9 Feb.–14 Feb., 1931; Schirmann, *Crise, coopération économique et financière*, pp. 96–7; On the diverse efforts to address the agricultural crisis in the Briand Committee, see Schwarte, *Plan Briand*, pp. 474–536.

³⁸ *Convention for the creation of an international agricultural mortgage credit company* (1931).

³⁹ I. Berend, 'Agriculture' in M. C. Kaser and E. A. Radice (eds), *The economic history of Eastern Europe, 1919–1975* (5 vols, 1986), I, pp. 164–6; LON, F/

CA/I, *Le crédit agricole dans certains pays de l'Europe centrale et orientale*, 27 Jan. 1931.

⁴⁰ *Convention for the creation of an international agricultural mortgage credit company*.

⁴¹ LON, F/CA/2, 'Indebtedness of agriculture in certain central and eastern European countries'; LON, F/40ème Session/ PV4, 16 Jan. 1931, Comité Financier. 40ème Session. Procès-verbal de la quatrième séance, 16 Jan. 1931.

⁴² LON, F/CA/I, *Le crédit agricole dans certains pays de l'Europe centrale et orientale*, 27 Jan. 1931.

international currency-stabilization interventions in central and eastern Europe had helped stimulate large volumes of private foreign investment. However, much of it had been used to cover government budget shortfalls, debt service, and consumption, rather than improvements in production. This meant that in central and eastern Europe, countries' overall foreign debt burden had grown much more rapidly than their capacity for repayment. Banks and governments had increasingly relied on short-term loans to bridge this gap. In the spring and summer of 1931 worsening bank balance sheets and declining investor confidence sparked a widespread withdrawal of short-term loans in central Europe.⁴³ The IAMCC was too small in scale to counterbalance this movement directly. Nevertheless, it might have helped boost confidence in financial markets by demonstrating international political solidarity and by offering a new model of 'productive' foreign lending.

There was a tension between the IAMCC's aims to boost flagging investor confidence by quickly injecting capital into central and east European agricultural banks and to promote long-term legislative reforms that would facilitate productive foreign investment. There was considerable disagreement in the Agricultural Credits Delegation of the Financial Committee about whether governments should be required to demonstrate that their laws concerning credit and mortgages conformed to a defined set of international standards before their banks were given access to IAMCC funds. The Delegation considered conducting a thorough initial survey of property and credit legislation in prospective borrowing countries and establishing a detailed reform programme for each one. The main proponent of this approach was Eugène Regard. Regard was the vice-governor of Crédit Foncier de France, the bank informally slated to provide most of the capital for the IAMCC. Regard wanted to ensure that there were adequate cadastral surveys to provide a legally binding record of land ownership before the IAMCC began its work. However, the Delegation ultimately determined this would excessively delay the launch of the project. Instead, they authorized Regard and Angelo Di Nola, the general manager of the Istituto Italiano di Credito Fondiario, to draft a series of non-binding recommendations that would serve as guidelines for future legislative reform. Governments whose current legislation did not conform to these guidelines would be asked to guarantee directly the loans made through the IAMCC, to provide supplemental security.⁴⁴

Otto Niemeyer had insisted that long-term, mortgage-backed loans would be the best means to raise capital quickly for national agricultural credit institutions in central and eastern Europe. This calculation reflected British financial officials' particular interest in encouraging French foreign investment. French investors were very familiar with agricultural mortgage credits, as French banks, such as the Crédit Foncier de France, had developed a substantial domestic market for this type of loan in the late nineteenth and early twentieth centuries.⁴⁵ However, French banks were particularly wary of investing in politically unstable environments. They

⁴³ M. Fior, *Institution globale et marchés financiers*, pp. 93–104; Eichengreen, *Golden fetters*, pp. 93–104; D. Aldcroft, 'Eastern Europe in an age of turbulence, 1919–1950', *EcHR* 41 (1988), pp. 597–8.

⁴⁴ LON, F/CA/1ère Session/PV2, Délégation du comité financier pour le crédit agricole, Première session, Procès-verbal provisoire de la deuxième séance,

9 Feb. 1931.

⁴⁵ The Crédit Foncier de France also played a central role in the development of mortgage-credit institutions throughout Europe in the nineteenth century (R. Cameron, *France and the economic development of Europe, 1800–1914* (1961), pp. 128–31).

had just been hit hard by the Soviet repudiation of tsarist Russia's sovereign debt and so political unrest of any kind caused alarm in Parisian financial circles.⁴⁶ In the late 1920s, there had been a great deal of turmoil in central and eastern Europe. Perhaps most shockingly, in 1929 King Alexander had established a royal dictatorship in Yugoslavia after a Montenegrin parliamentarian shot four of his colleagues during a session of the National Assembly. Across the region, the late 1920s witnessed the rise of new dictatorships and paramilitary organizations of varying political stripes. For the most part, these changes resulted in the consolidation of conservative authoritarian governments that were committed to servicing foreign debts, but the upheaval nevertheless caused much anxiety in international financial circles.⁴⁷ For Niemeyer and many other members of the Financial Committee, the purpose of a League programme of agricultural credit was not merely to aid indebted farmers but also to restore investor confidence in central and eastern Europe by locking governments in the region into a new programme of international economic supervision.

The IAMCC's exclusive focus on long-term credit did draw criticism when the finished plan was presented for approval to the Briand Committee in the spring of 1931. The criticism did not come from the countries that had initially gathered at the Warsaw Conferences in 1930; they gave the scheme their unqualified and enthusiastic approval. However, the leaders of the IIA were more sceptical. They suggested that credit, trade, and tariff policies affecting agricultural exporters should be addressed together. They recommended that long-term credit should be made available to cooperatives to facilitate the construction of processing and distribution infrastructure rather than reserved solely for individual farmers, as it was in the IAMCC. They also argued that farmers and cooperatives urgently needed access to short-term credit to support seasonal marketing activities.⁴⁸ The IIA leaders' recommendation for a more comprehensive approach to agricultural credit may have partly been a strategy to leverage their own broad network of organizational partners. As Niccolò Mignemi highlights in his contribution to this issue, many of the IIA's early collaborators had keenly hoped to cultivate ties to cooperative societies as part of a broader programme of associational outreach. Federico D'Onofrio's article emphasizes that the IIA did develop links to a wide range of agricultural marketing and credit institutions in the 1920s, partly in pursuit of a corporatist political ideal. D'Onofrio also observes that the IIA often simultaneously cooperated and competed with the League; IIA leaders eagerly sought to participate in League conferences and committees but also jealously guarded their independence. In 1931, they appeared reluctant to concede exclusive authority to the League Financial Committee to regulate international agricultural credit.

When the Financial Committee submitted the IAMCC statutes to the Briand Committee for final approval in May 1931, the IIA presented its own plan for a second International Short-Term Credit Bank, to be run out of the IIA headquarters in Rome. It asked the Briand Committee to 'give its moral support to this new initiative' by establishing a dedicated

⁴⁶ See K. Oosterlinck, *Hope springs eternal: French bondholders and the repudiation of Russian sovereign debt* (trans. A. Bulger, 2016).

⁴⁷ Berend, *Decades of crisis*, pp. 190–202; Anon, 'The two Europes', *The Economist*, 13 Sept. 1930, pp. 472–3.

⁴⁸ 'Appendix 20. Memoranda from the International

Institute of Agriculture concerning points III(a) and III (c) of the agenda of the Commission of Enquiry at its May session,' in League of Nations Doc. C. 395.M.158.1931.VII, *Commission of Enquiry for European Union. Minutes of the third session of the commission* (25 June, 1931), pp. 194–211.

sub-committee to monitor its Short-Term Credit Bank. This would be an analogue to the Briand Committee's existing Agricultural Credits Sub-Committee, which supervised the Financial Committee's work on the IAMCC.⁴⁹ The Briand Committee did not fulfil the IIA's peculiar request to establish duplicate agricultural credit sub-committees. To do so would have established equivalence between the Financial Committee – which was an integral element of the League's institutional architecture – and the IIA, which was an independent institution. This was, presumably, the IIA's objective. IIA leaders had long demanded recognition as an official but autonomous affiliate of the League with exclusive authority over agricultural questions, analogous to the International Labour Organization. In 1932 the IIA was finally recognized as an official League advisory body, but the League's Economic and Financial Organization would also sponsor a growing number of independent initiatives in the field of food and agriculture in the 1930s.⁵⁰

Outside the IIA, other critics of the IAMCC contested the very principle of expanding agricultural credit when crop prices were in free-fall. They suggested that new loans would merely encourage farmers to increase production and flood already glutted markets with more goods. This concern was voiced by agricultural exporters within Europe – notably by the Dutch – and outside of Europe – notably by the Indians.⁵¹ Representatives from the prospective borrowing countries responded that longer and more affordable loans would enable their farmers to rationalize production and distribution procedures and thereby reduce pressure on global commodity markets while increasing local purchasing power. The Warsaw Conference's original memorandum on agricultural credit, which served as the basis for the Financial Committee's work, had emphasized that an excessive dependence on short-term credit prevented farmers in central and eastern Europe from adapting to changing market conditions by using new techniques and equipment. This report suggested that longer-term credit would enable farmers to buy new machines, use chemical fertilizers, introduce new land-management and irrigation systems, and engage in more rational crop and animal breeding.⁵² In sum, they argued that farmers needed better credit facilities in order to support the type of specialization and innovation that Amalia Ribi Forclaz discusses in relation to rural education in her article in this issue.

⁴⁹ Ibid., p. 206.

⁵⁰ F. G. von Graevenitz, 'Internationalismus in der Zwischenkriegszeit: Deutschland und Frankreich in der globalen Agrarkrise' (unpublished PhD thesis, European University Institute, 2011), p. 412; E. Tollardo, *Fascist Italy and the League of Nations, 1922–1935* (2016), pp. 34–6, 223.

⁵¹ LON/Loveday/S 80, Commission d'étude pour l'Union européenne. Procès-verbal provisoire de la deuxième séance, 20 April 1931; Coyajee, *India and the*

League of Nations, p. 131.

⁵² LON/Loveday/S 80, Memorandum on the problem of agricultural credits for intermediate periods, prepared by the agricultural credit experts of Bulgaria, Czechoslovakia, Estonia, Hungary, Latvia, Poland, Roumania, and Yugoslavia, met at Warsaw on 10–13 November 1930; Commission of Enquiry for European Union. Sub-commission for Agricultural Credits. Provisional Minutes. Third Meeting, April 21, 1931.

V

Many of the defenders of the IAMCC valued the project because it promised to provide immediate and tangible evidence of international unity, even in its early stages. Participating governments were asked to demonstrate mutual solidarity by contributing to a collective pool of capital to serve as the project's seed, the 'special reserve fund'. This was a fund of 25 million Swiss francs (five million dollars) that would guarantee the IAMCC's initial shares. The special reserve fund would be formed from government advances, which the IAMCC would gradually repay as it developed its own independent capital reserves. This would take the League into uncharted territory. Previous League loans had not been based on an international capital pool. The League had helped recruit lenders and underwriters but had not served as a direct intermediary.⁵³ In the case of the IAMCC, both 'lending states', where most of the shares were expected to be sold, and 'borrowing states', where most of the funds were expected to be lent, were asked to contribute to the special reserve fund. The 'lending states' were asked to provide substantially larger sums because states' participation in the special reserve fund was based on governments' contributions to the League budget, according to a five-tier graduated scale. Britain was in the highest category and was thus asked to contribute three million Swiss francs or £120,000. In its final report on the IAMCC to the League Council, the Financial Committee insisted that the simple act of creating the special reserve could buoy financial markets:

the fact of Governments supplying the necessary funds for the creation of this special reserve and thereby manifesting a feeling of mutual solidarity and a general desire for collaboration is likely to have an effect on financial markets to which we attach the greatest significance.⁵⁴

However, the reserve fund became a central obstacle to British participation in the IAMCC.

The demand for a British contribution to the reserve fund of £120,000 placed the Treasury in a difficult position. Treasury officials supported the IAMCC, but they were also extremely reluctant to approve any new expenditure. In the winter of 1930–31 gold reserves in London had declined rapidly, signalling dwindling confidence in the pound. In this context many Treasury officials, in particular, Frederick Leith-Ross, the deputy comptroller of finance, were keen to encourage international financial cooperation. They hoped an expansion of foreign lending would reduce pressure on the pound by facilitating the circulation of immobile gold reserves in continental Europe, especially in Paris.⁵⁵ As mentioned previously, French and British Treasury officials agreed during bilateral discussions to support a League programme of international agricultural credit in order to facilitate a freer flow of capital. When Leith-Ross assessed the draft statutes of the IAMCC in the spring of 1931, he affirmed that it was a 'very sound' scheme that 'offers the best chance' of encouraging international lending in Europe and minimizing 'excessive gold imports into France'.⁵⁶

Although Treasury officials were eager to encourage French foreign lending, they were also

⁵³ Flores and Decorzant, 'Public borrowing in harsh times', pp. 10–14.

⁵⁴ League of Nations Doc. C.199(a).M.81(a).1931. II.A (1931), *International Agricultural Mortgage Credit Company. Report of the Financial Committee*

to the Council.

⁵⁵ Boyce, *British capitalism*, pp. 291–303.

⁵⁶ TNA, FO 371/15713, F. Leith-Ross, *Agricultural Credits*, 23 Apr. 1931.

extremely reluctant to approve any new budget items, no matter how small. The Chancellor, Philip Snowden, responded to dwindling British gold reserves in winter 1930–31 by calling for aggressive fiscal retrenchment. This led to divisive debates in Parliament and in the Cabinet about ‘spreading the burden’ of retrenchment equitably across social classes.⁵⁷ Thus, although Treasury leaders enthusiastically supported the IAMCC, they anticipated considerable political opposition to a request for British funds for its reserve fund at a time of general belt-tightening. They also feared such a request would provoke demands for similar assistance from farmers in the United Kingdom and in the Dominions. Consequently, the Treasury and the Foreign Office agreed that British delegates in Geneva should support the IAMCC firmly but should also propose an amendment that would make contributions to the reserve fund obligatory only for prospective borrowing countries. Treasury leaders did indicate that they would later ‘reconsider’ British participation in the reserve fund if it ‘appears that our refusal to contribute would destroy the whole scheme, and would involve too grave political disadvantages in comparison with the comparatively small sum at stake’.⁵⁸ When the Briand Committee’s Subcommittee on Agricultural Credits met in April 1931 to discuss the IAMCC statutes, the British delegate, Walter Smith, tried unsuccessfully to persuade the other members to accept the Treasury’s proposal to exempt lending countries from contributing to the reserve fund.⁵⁹

Smith had been chosen to represent Britain on the Agricultural Credits Sub-Committee of the Briand Committee because he was intimately familiar with the plight of farmers in the UK. At this time Smith was one of the two MPs for Norwich and the Parliamentary Secretary to the Board of Trade. He had previously served from 1911 to 1923 as the president of the National Union of Agricultural Workers and had helped to negotiate the 1924 Agricultural Wages Act as the Parliamentary Secretary to the Ministry of Agriculture. Thanks largely to this legislation, British agricultural wage rates remained relatively stable in the 1920s, but after an initial post-war spike, crop prices declined. A report that the British Ministry of Agriculture submitted to the League in 1930 emphasized that British farmers faced a heavy debt burden. Moreover, the worldwide decline in crop prices starting in 1929 hit British farmers particularly hard as rising tariffs in continental Europe diverted agricultural exports to the unprotected UK market.⁶⁰ The cash-strapped British government could only very partially satisfy requests for debt-relief assistance from domestic farmers. As Smith and the Chancellor anticipated, when the IAMCC treaty was presented to Parliament in the summer of 1931, there was considerable resistance to it. Although the Ministry of Agriculture approved of British participation in the project, Conservative backbenchers argued that British Treasury funds should be used to support farmers in the UK and the British Empire.⁶¹

⁵⁷ Williamson, *National crisis and national government*, p. 220.

⁵⁸ TNA, FO 371/15713, 23 Apr. 1931.

⁵⁹ LON, Loveday/S 80, Commission d’étude pour l’Union Européenne, Sous-commission pour le crédit agricole, Procès-verbal provisoire de la deuxième séance, 20 Apr. 1931.

⁶⁰ A. Howkins and N. Verdon, ‘The state and the farm worker: the evolution of the minimum wage in

agriculture in England and Wales, 1909–24’, *AgHR* 57 (2009), pp. 257–74; R. Perren, *Agriculture in Depression, 1870–1940* (1995), pp. 40–8; LON/de Bordes/S 69, The Present Situation in Agriculture in Great Britain, and its Causes, 16 June 1930.

⁶¹ Hansard, *House of Commons Debates*, 253, 17 June, 1931, col. 1720–1; 254, 22 June, 1931, col. 21; 254, 23 June, 1931, col. 222–4; 256, 23 Sept. 1931, col. 1622.

Disagreement about the distribution of burdens and benefits in the IAMCC occasioned a novel debate about wealth and welfare in the League system. In the IAMCC negotiations, the distinction between 'lending countries' and 'borrowing countries' was often translated into a distinction between 'two Europes', an 'industrial Europe' and an 'agricultural Europe'. The French economic journalist Francis Delaisi had proposed the concept of 'two Europes' in his popular 1929 book, *Les deux Europes*. He argued that 'industrial Europe' should intensively promote trade, investment and infrastructural development in 'agricultural Europe'. This would raise standards of living across the Continent by expanding the rural market for manufactured goods. Throughout the project's genesis, supporters of the IAMCC made frequent and explicit reference to the 'two Europes' concept, and defended the project not merely in terms of its impact on financial markets but also in terms of its contribution to rural standards of living.⁶² The Financial Committee's final report on the IAMCC to the League Council stated that:

all measures aimed at raising the standard of living in those European countries where the standard is at present relatively low must help to increase the demand for the higher-value agricultural products, such as meat, milk, fruit, etc. The granting of credit ... would therefore help, on the one hand, to bring about those changes in production, and, on the other, that increase in demand, which are alike necessary for a general improvement in agricultural conditions. They would also certainly have the effect of increasing the purchasing power of agriculturalists, and particularly their demand for industrial products.⁶³

Thus although the IAMCC focused narrowly on raising farm incomes, its also occasioned broader discussions of rural economy that anticipated the evolution League economic institutions in the 1930s.

VI

While the IAMCC represented an important step in the long-run evolution of League models of rural development, it also had particular geopolitical significance in the spring of 1931. In March, shortly after the Financial Committee's Agricultural Credits Delegation completed its work, Austria and Germany announced a plan for a future customs union. This announcement unleashed a diplomatic firestorm, badly dented investor confidence across Europe, and made international financial cooperation more urgently necessary. In this context, the IAMCC emerged as the only constructive alternative to the Austro-German scheme that had relatively broad support in both British and French official circles. It was also the Briand Committee's 'first child' and its only project near fruition; it was thus a key test case for League-led European economic cooperation.⁶⁴

⁶² F. Delaisi, *Les deux Europes* (1929); see references to 'agricultural' and 'industrial' Europe in Anon, 'The two Europes'; League of Nations Doc., C.655.M.270 (1930), 'Report of the sub-committee appointed to examine the question of the negotiations concerning the trade of agricultural states of central and eastern Europe', *Second International Conference with a view*

to concerted economic action.

⁶³ League of Nations Doc. C.199(a).M.81(a).1931.II.A (1931), *International Agricultural Mortgage Credit Company. Report of the Financial Committee to the Council*.

⁶⁴ League of Nations Doc. C. 295. M. 158. 1931.VII. *Commission of enquiry for European Union. Minutes of the third session of the commission*, 25 June 1931.

The proposal for an Austro-German customs union was widely perceived as the first step towards Austro-German political union, *Anschluss*, an action prohibited by multiple League treaties. The French government quickly developed a counter-proposal, the 'Constructive Plan', which aimed to boost economic performance in central and eastern Europe and reduce the appeal of exclusive bilateral agreements with Germany. The Constructive Plan proposed a system of European tariff preferences as well as a programme of international financial assistance, which included the IAMCC.⁶⁵

Many officials in Whitehall argued that Britain should support at least some elements of the Constructive Plan in order to avoid a Franco-German diplomatic standoff. The leading advocate for an active British response was Philip Noel-Baker, Henderson's Parliamentary Private Secretary. Noel-Baker was a former staff member in the League Secretariat who had been heavily involved in League disarmament efforts throughout the 1920s. In April 1931, he argued that the Austro-German customs union had produced profound anxiety on the Continent and endangered the Foreign Office's entire European strategy focused on disarmament.⁶⁶ Noel-Baker insisted that Britain must cooperate actively with the other European powers to 'get rid of the agreement by means of some agreed alternative solution which Europe as a whole would accept'.⁶⁷ Instead, the Cabinet decided to pursue a minimal, 'passive' policy. Before leaving for Geneva to attend the May session of the League Council and the Briand Committee, Henderson was instructed merely to stall the customs-union project by demanding a review of its legal conformity with League treaties.⁶⁸ However, Henderson's meetings in Geneva firmly persuaded him that Britain must do more:

I was deeply impressed by the importance, which all the Governments of central Europe attached to the matter. They all made it plain that it is by far the most important political issue, which has arisen in Europe since the war. Indeed, I reached the definite conclusion that if we can find some agreed solution of the problem which will satisfy all parties on the economic and political sides of the matter, then we should be justified in looking forward to a future of peace and closer international co-operation in Europe; but that if no such solution can be found, then we must expect international developments of a most dangerous kind.⁶⁹

Henderson recommended that 'the whole weight of His Majesty's Government's influence' should be used to help the Briand committee devise a programme of cooperation 'both to liquidate the question of the Austro-German Customs Union and to mitigate the economic crisis which threatens the political stability of Europe'.⁷⁰

In this context, Henderson enthusiastically supported the IAMCC as a counterproposal to the Austro-German customs union. British participation had remained uncertain until early May due to the Treasury's continued reluctance to contribute to the special reserve fund. However, when it was reported that 'the scheme will be wrecked' without a British financial

⁶⁵ TNA, T 188/19, Frederick Leith-Ross, Note of discussion with Monsieur Rueff on the 2nd May, 1931.

⁶⁶ TNA, T 188/19, Anonymous [Philip Noel-Baker], Proposals for a possible solution of the present conflict concerning the Austro-German Union, 18 Apr. 1931.

⁶⁷ TNA, T 188/19, 18 Apr. 1931.

⁶⁸ TNA, T 188/19, Record of an interdepartmental meeting held at the Foreign Office on April 23rd to consider the proposed Austro-German customs union.

⁶⁹ TNA, CAB/24/221, A. Henderson, 'The proposed Austro-German customs union', 3 June 1931.

⁷⁰ Ibid.

commitment, Treasury leaders swiftly lifted their opposition. In order to bolster confidence in the project, Henderson requested immediate Cabinet approval to sign the IAMCC treaty and to pledge full British political and financial support.⁷¹ The Ministry of Agriculture and the Treasury both agreed to Henderson's request, but the Dominions Secretary, James Henry Thomas, refused. Thomas stated that he was 'much exercised' by the plans for the IAMCC: 'from the wider aspect of Imperial policy, the participation of the United Kingdom in a scheme designed, primarily at any rate, for the benefit of European countries, might have a very unfortunate political reaction in the Dominions'.⁷²

Thomas argued that Britain could not sign the IAMCC treaty until his department had the opportunity to thoroughly review its implications for the planned Ottawa Imperial Conference and to consult the Dominions.⁷³ Henderson and leaders in the Foreign Office strenuously opposed Thomas's recommendations. They valued the IAMCC chiefly because it was ready to be implemented, and they believed that the May session of the Briand Committee was the most propitious moment to launch it.⁷⁴ In the memorandum that he wrote summarizing the scheme, Robert Vansittart argued that further delay would greatly reduce the IAMCC's political advantages, and it would not change the fact that Britain was faced with a difficult choice between European and imperial commitments:

The question for decision, therefore, boils down to whether the urgent necessity of doing something for the depressed East European Countries and coming into line with France and other European countries, must be overruled by the necessity of refraining from an action which might and probably will, be held, rightly or wrongly, by the Dominions to be prejudicial to their agricultural exports and to the prospects of the Ottawa Conference.⁷⁵

This comment highlights how clearly the IAMCC crystallized the new tensions between Britain's imperial and European policy priorities that resulted from the global agricultural crisis.

The Prime Minister, Ramsay MacDonald, was not persuaded by entreaties from the Foreign Office in favour of the IAMCC. He was annoyed that he only learned of the project at the last minute, and he refused to be rushed into a decision. He rebuked Henderson for attempting to proceed with the scheme without a full cabinet review. He declared, 'this matter surprises me ... this is an issue of first class importance and should have been brought before the cabinet when Walter Smith reported. It cannot be decided between Departments'.⁷⁶ He did not authorize Henderson to sign the IAMCC treaty during the May session of the Briand Committee, but Henderson continued to plead for a rapid decision:

⁷¹ TNA, FO 371/15731, The League of Nations Agricultural Mortgage Credit Scheme, 28 May 1931; TNA, PREM 1/105, Foreign Office to Treasury, 7 May 1931; Telegram, A. Henderson to P. Snowden, 14 May 1931.

⁷² TNA, PREM 1/105, J. H. Thomas to R. MacDonald, 16 May 1931.

⁷³ Boyce, *British capitalism*, pp. 325–7.

⁷⁴ TNA, PREM 1/105, F. Leith-Ross to the Foreign Office, 8 May 1931; R. Vansittart, Memorandum, 15

May 1931.

⁷⁵ TNA, PREM 1/105, R. Vansittart, 15 May 1931

⁷⁶ TNA, PREM 1/105, R. MacDonald to the Foreign Office, 15 May 1931; also quoted in Boyce, *British capitalism*, p. 325. David Carlton notes that MacDonald was generally much less supportive of the League of Nations than Henderson (Carlton, *MacDonald versus Henderson*, 27–9).

The scheme is the only constructive proposal yet evolved by the Committee of Enquiry for European Union for mitigating the economic crisis. It would create an unfortunate impression and might diminish the influence of His Majesty's Government in pressing other positive economic policies upon European States, and even, later on in urging the need for disarmament – if success of this first scheme were jeopardized by our refusal to make the small contribution required of us in order to bring it into operation.⁷⁷

Henderson finally got cabinet approval to sign the IAMCC treaty on 11 June, but he still faced an uphill battle to secure Parliamentary ratification and approval for the British contribution to the special reserve fund. This task became increasingly difficult as central Europe and then Britain were engulfed in an escalating financial crisis in June and July.

The crisis had begun in May with the collapse of the Austrian banking behemoth, the Creditanstalt and it spread to German banks in June. Efforts to coordinate an international response to the central European banking crisis were continually hindered by unresolved tensions concerning the Austro-German customs union. Because London banks had heavily invested in Austria and especially Germany, the worsening financial conditions there also undermined confidence in the British financial system and in the pound. This produced divisions in the Labour government, as the Treasury and the Bank of England responded by demanding dramatic cuts to social spending as part of a coordinated international intervention to support the pound. On 23 August a group of Labour ministers led by Henderson resigned in protest. The following day MacDonald formed a new all-party National Government. Although the National Government was created with the goal of keeping the Britain on the gold standard, it nevertheless took the pound off gold on 21 September. After its mandate was consolidated in a general election in October, the National Government introduced a new ten per cent protective tariff on manufactured goods. It also began to discuss a tariff on agricultural imports in order to allow for the introduction of a broader system of imperial preference at the Ottawa Imperial Conference in 1932.

In the autumn of 1931, the Foreign Office vainly protested against the Cabinet's shift towards protectionism and imperial preference, which it interpreted as a retreat from Britain's diplomatic responsibilities on the Continent.⁷⁸ As the Europhiles in the Foreign Office increasingly focused on resisting the shift towards tariff protection, they gave up the fight to secure British participation in the IAMCC. In September, the Foreign Office announced to Parliament that it did not plan to submit the IAMCC treaty for ratification or to request the British contribution to the special reserve fund.⁷⁹ This effectively doomed the project. The IAMCC treaty included a provision stipulating that it would only take effect if sufficient contributions were secured to cover the full reserve fund before 31 December 1931. If this deadline was not met, an international conference would be convened to devise a new programme of implementation. The parliamentary schedules of many of the states responsible for supplying the largest contributions to the reserve fund did not allow for ratification of the IAMCC treaty

⁷⁷ TNA, FO 371/15731, Arthur Henderson, Cabinet Memorandum, 2 June 1931.

⁷⁸ Boyce, *British capitalism*, pp. 332–69; Kaiser, *Economic diplomacy*, pp. 82–6; Williamson, *National crisis*

and national government, pp. 255–343.

⁷⁹ Hansard, *House of Commons Debates*, 256, 23 Sept. 1931, col. 1622; TNA, FO 371/13571, Draft Reply to Parliamentary Question number 19, 23 Sept. 1931.

before the December deadline. This meant that the required sum could not be secured without British ratification.⁸⁰ The 31 December deadline was originally included in the treaty order to give interested governments the flexibility to negotiate a reduction in the scale of the IAMCC if it became apparent they would only be able to support a smaller reserve fund. However, by January 1932, the devaluation of the British pound and the international banking crisis had thrown the European financial and monetary system into such extreme disarray that the Financial Committee decided instead to delay the project.⁸¹

VII

The history of the origins and genesis of the IAMCC reveals the complex ways in which the global agricultural crisis influenced British diplomacy in Europe during the crucial year of 1931. Geopolitical tensions heightened in the Danube Basin as German leaders sought to use food imports to gain influence there. Leaders in central and eastern Europe breathed new life into the movement for European economic unity within the League as they attempted to form a unified 'agrarian bloc'. The demands for League assistance for Europe's farmers helped produce a novel model of international financial cooperation: governments were asked to contribute directly to an international capital pool to be used to raise loans for foreign farmers. This redistributive mechanism was expected to yield broad benefits because it would bolster investor confidence and raise rural living standards. However, it proved difficult to muster political support for British participation in this type of international development experiment, as declining crop prices had also given a boost to advocates of empire unity.

The IAMCC assumed particular significance for many British officials because it represented a broader policy of political and economic engagement with Europe. Henderson valued the IAMCC because it offered a means to promote international cooperation in Europe and to prevent a Franco-German geopolitical standoff in the Danube Basin that would endanger the League disarmament process. This objective became more crucial after the announcement of plans for an Austro-German customs union in March 1931. Treasury officials supported the IAMCC as a confidence-boosting measure that would stimulate further lending from gold-rich France to gold-poor central and eastern Europe, although they were reticent to fund it directly. British ratification of the IAMCC treaty would have sent a signal to foreign observers that the factions in the Foreign Office and the Treasury that favoured political engagement with Europe and international cooperation in monetary and credit policy held sway in Whitehall. Conversely, its failure after strong initial British support signalled to the world that the advocates of national protectionism, imperial preference and beggar-thy-neighbour monetary policies were ascendant in the new National Government.

The IAMCC represented an intermediary phase in the evolution of the League's economic institutions. It was an attempt to orient the Financial Committee towards long-term

⁸⁰ LON, de Bordes/S 90, Jan Walre de Bordes to Otto Nieymeyer, 11 Nov. 1931.

⁸¹ LON, F/41ème Session/PV1, Comité Financier. 40ème Session. Procès-verbal de la deuxième séance,

6 May, 1931; LON, F/44th Session /PV1; F/44th Session / PV1, Financial Committee, Forty-fourth Session. First Meeting, 11 Jan. 1932.

international development, and it signaled a heightened concern for the fate of farmers in the context of the global agricultural crisis. However, the IAMCC was only a narrow foray into rural development, as it focused very specifically on farm incomes. It was also rooted in a fairly traditional vision of international diplomacy as great powers jockeying for influence in Europe. In the course of the 1930s, in the face of deep and persistent distress in agricultural regions across the globe, League collaborators devised new institutions and concepts to address rural poverty as a problem of health and welfare as well as income. They increasingly approached farming as an element of 'rural life' that was integrally connected to various other forms of household economy and production. This change was accompanied by a broadening of the geographic purview of the League's economic work. Many advocates of imperial protectionism in the British Empire were disappointed with the results of the system of preferences introduced at Ottawa in 1932 and subsequently shifted their focus from the Empire to the League. In the 1930s, the League Secretariat did retain a particular interest in central and eastern Europe. However, as commercial relations in this region became increasingly politicized as a result of National Socialist economic expansion, the Secretariat sought to justify its continued engagement there using neutral concepts of health and welfare rather than trade and finance.⁸² The IAMCC anticipated the League's evolution in 1930s towards new modes of 'bread and butter internationalism,' but it also reveals the extent to which agriculture influenced more traditional forms of diplomacy during the early Great Depression.⁸³

⁸² Clavin, *Securing the world economy*, pp. 159–98; A. Ribi Forclaz, 'A new target for international social reform: The International Labour Organisation and working and living conditions in agriculture in the inter-war years', *Contemporary European Hist.* 20 (2011), pp. 307–29; J. O'Brien, 'F.L. McDougall and the origins of the FAO', pp. 170–2; P. Clavin and K. K. Patel, 'The role of international organizations in Europeanization: The case of the League of Nations and the European

Economic Community', in M. Conway and K. K. Patel (eds), *Europeanization in the twentieth century: historical approaches* (2010), pp. 111–18; S. Amrith and P. Clavin, 'Feeding the World: Connecting Europe and Asia, 1930–1945', in M. Hilton and R. Mitter (eds), *Transnationalism and Contemporary Global History (Past and Present, Supplement 8, 2013)*, pp. 42–8.

⁸³ Clavin, *Securing the world economy*, p. 165.