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## ARTICLES

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### *The World Economic Conference 1933: The Failure of British Internationalism*

Patricia Clavin\*

King's College, London and Keele University

The World Monetary and Economic Conference convened in London's newly opened Geological Museum, for the first time on Monday, 12 June 1933. Gathered together under the chairmanship of the British Prime Minister, Ramsay MacDonald, delegates from 66 countries met "not to discuss mere economic theories and generalities, but to make practical proposals to meet urgent necessities."<sup>1</sup> The Conference was unprecedented in both its size and ambition. Yet it crashed to the ground in undignified recrimination amongst the major powers barely two weeks later, marking the end of interwar attempts at broad-ranging international economic co-operation.

The events in London that year had an important impact both on Anglo-American bilateral relations and on the context of economic diplomacy amongst the major powers for the remainder of the interwar period. Many scholars have blamed United States policy for the failure of the Conference and see American policy towards the Conference as the first incidence of Roosevelt's 'isolationism'. This interpretation centres on Roosevelt's famous bombshell message sent from his yacht

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<sup>1</sup> *Journal of the Monetary and Economic Conference*, No. 3 (London, 1933), p. 6.

*Amberjack*, three weeks after the Conference first convened, which scuppered any hopes for joint currency stabilisation between the floating pound, the dollar and the remaining gold currencies<sup>2</sup>. This article will attempt to show that much of the responsibility for the collapse of economic co-operation must, in fact, be borne by the British government. The nature of British tariff policy and the determination of the National Government to cancel its war debt payments to the United States soured the climate for international co-operation long before the arrival of the 'bombshell message'.

## I

Following months of division over unemployment strategies and the question of protectionism, compounded by Britain's humiliating departure from the gold standard, the British domestic economic and political scene began to strengthen and stabilise in the summer of 1932. General economic indicators began to point to a gradual recovery, developments which were all the more significant when placed in an international context.<sup>3</sup> Germany and the United States were still in the troughs of depression whilst France began to show increased signs of a downward slide. Britain's relations with her Empire were also a source of some satisfaction after the successful conclusion of the Imperial Economic Conference at Ottawa which broadened

<sup>2</sup> C.P. KINDLEBERGER, *The World In Depression, 1929-1939*, (London, 1987); D.C. WATT, *Succeeding John Bull: America in Britain's Place, 1900-1975*, (Cambridge, 1984); A. SCHLESINGER, *The Age of Roosevelt: the Coming of the New Deal*, Vol. 2, (Boston, 1961). For further examples see H.V. HOBSON, *Slump and Recovery: a Survey of World Economic Affairs, 1929-1937*, (London, 1938), pp. 204-205; S.V.O. CLARKE, "The Reconstruction of the International Monetary System: The attempts of 1922 and 1933", *Princeton Studies in International Finance*, No. 33, 1973; JAMES R. MOORE, "Sources of New Deal Economic Policy: The International Dimension", *The Journal of American History*, No. 41, 1974, pp. 728-44.

<sup>3</sup> D.H. ALDCROFT, *The British Economy: the Years of Turmoil, 1920-51*, Vol. 1, (Brighton, 1986).

tariff arrangements between the United Kingdom and her Dominions. This flush of achievement was by no means enjoyed by all, but for the Conservative-dominated National Government it had the effect of consolidating Britain's move toward protectionism. The abandonment of Free Trade was a development warmly welcomed by the Conservatives.

The Prime Minister, Ramsay MacDonald, remained uneasy about the changes made to British economic policy and derived greater satisfaction from his success in Europe. German reparation payments had, in effect, been ended by a gathering of European statesmen under MacDonald's chairmanship at Lausanne in July 1932. And it was here that international agreement for a World Economic Conference was established to examine inter-related economic and monetary issues. Enshrined in Article Five of the Lausanne agreement, the Conference was intended to build upon the 'armistice' of Lausanne and the protection of this settlement in Europe became the foundation of British policy for the Conference. But these developments — Britain's tentative economic recovery, the consolidation of her transition to a protectionist trading policy and the determination to uphold the reparation settlement of Lausanne — also set up contradictions in Britain's claim to leadership of the World Economic Conference which she failed to resolve. Although the National Government sponsored the idea for a Conference, promoted it at Lausanne and assumed the responsibility for organising it (with MacDonald crowned Chairman), formulating an effective policy proved a greater challenge.

The Great Depression was awash with calls for co-ordinated action by international conference on questions of silver, gold, tariffs, currency restrictions, debts and reparations, to be tackled either together or separately<sup>4</sup>. But Britain's policies for promoting international economic recovery increasingly turned on a

<sup>4</sup> Lord Reading suggested a conference to Laval during a trip to Paris, 27 Jan. 31. An even earlier proposal for a World Economic Conference was made by Hoover through Sackett, his Ambassador in Berlin to Chancellor Brüning.

successful resolution of the sticky problem of reparations and war debts. The National Government considered that it had made a significant contribution not only to German, but also European economic recovery at Lausanne<sup>5</sup>. The next stage was to revise war debt payments due to the United States. Mindful of America's insistence that reparation payments and war debts were not connected, the British sought to present the United States with a *'fait accompli'*: Britain would resolve the political debt issue in Europe and then use this achievement to persuade the United States to drastically revise their collection of war debts. Britain, in fact, hoped America would abandon war debts altogether<sup>6</sup>.

MacDonald had been encouraged by France's increasingly "conciliatory state of mind" and friendliness after the Lausanne Conference which, in his view, seemed "unrivalled since the war"<sup>7</sup>. This was in marked contrast to the frustration and bitterness the Prime Minister had felt in early reparation discussions with the French and the problems which had marred disarmament negotiations. He also considered that his relations with President Hoover and Secretary of State, Henry Stimson, were sufficiently strong to make war debt re-negotiation possible. In correspondence with Stimson, the Prime Minister was confident that Britain could lead the rest of Europe into discussion with the United States to improve the economic climate. Hoover confirmed that he, too, laid great store in such co-operation: "Tell MacDonald that the civilisation which he speaks of can only be saved by the co-operation of Anglo-Saxons, we cannot count on other races"<sup>8</sup>.

<sup>5</sup> B. KENT, *The Spoils of War: the Politics, Economics and Diplomacy of Reparations, 1918-1932*, (Oxford, 1989), pp. 371-2.

<sup>6</sup> MacDonald Papers, Public Record Office, London. (Hereafter P.R.O. PRO 30/69), PRO 30/69/678, Stimson to MacDonald, 18 Jan. 32; Baldwin Papers, University Library, Cambridge, (Hereafter Baldwin), Baldwin vol. 119, Runciman to Baldwin, 24.6.32.

<sup>7</sup> *Ibid.*, MacDonald to Baldwin, 24 June 32; *ibid.*, Hankey to Baldwin, 1 July 32.

<sup>8</sup> P.R.O. PRO 30/69/678, Stimson to MacDonald, 27 Jan. 33.

The National Government turned its attention to tackling the 12 December 1932 debt payment due to the United States and to preparations for the World Economic Conference almost simultaneously. The Conference appeared to offer an alternative, potentially less abrasive, avenue to debt negotiations than direct diplomatic negotiations. After all, Britain and France appeared to be demanding debt cancellation without offering the United States anything in return. Lausanne had set out the basic structure of the Conference. It was divided into monetary and economic sub-sections. Under financial questions fell monetary and credit policy, exchange difficulties, price levels and the movement of capital. Beneath the heading of economic questions, the need for improved conditions of production and trade was highlighted, urging that particular attention be paid to the issues of tariff policy, prohibitions, restrictions and quotas, and producers' agreements. Initially, the British cherished hopes that the United States would incorporate debt negotiations within the body of the conference but these ambitions were later dashed<sup>9</sup>.

Detailed memoranda for the Conference outlining Britain's position on economic and monetary matters were prepared by the Treasury and the Board of Trade under the watchful eye of Frederick Leith-Ross, the government's Chief Economic Adviser. Lausanne had given the World Economic Conference a challenging brief: the world's economic problems were to be tackled by political co-operation. This was a distinction which did not pass unnoticed in the Foreign Office. Sir V. Wellesley, nervous of the import of economic foreign policy being made by the increasingly powerful Treasury, wrote: "If it is not clear at the start that we consider that these financial and economic questions cannot be divorced from foreign policy ... then I am grave-

<sup>9</sup> For the Treasury discussion of this issue see correspondence in the Frederick Leith-Ross Papers, P.R.O. (Hereafter T 188), P.R.O. T 188/43, Memoranda by Leith-Ross, July to December 1932.

ly apprehensive lest the whole control of foreign affairs will slip out of the hands of the Secretary of State and he will find that each question will be approached from its economic and financial side to the exclusion of wider political considerations"<sup>10</sup>.

This tension between economic and diplomatic priorities grew more pronounced as the 1930s progressed. When the British briefed their experts for the preparatory discussions to be held in Geneva, economic interests invariably dominated diplomatic considerations. These meetings of experts nominated by the main powers, including British, French, American, German, Italian and Japanese economists and financiers, were held in Geneva in November 1932 and January 1933. Here political considerations dominated the choice of British representatives. The National Government was cautious in its choice of experts. It dismissed Hawtrey and Keynes as "too extreme", and preferred instead to send Sir Frederick Phillips, Under-Secretary of the Treasury, to sit on the Monetary Sub-Committee and Sir Frederick Leith-Ross on the Economic Sub-Committee<sup>11</sup>.

The main issue to emerge at the November meetings was international hostility to Britain's sterling policy since her departure from the gold standard in September 1931. The National Government's policy on the floating pound remained unchanged from its announcement at the Imperial Economic Conference at Ottawa three months earlier. The Bank of England's observer at the preparatory meetings, Francis Rodd, reluctantly acknowledged that "there can be no question of our return to gold until we are satisfied that economic conditions at home and abroad permit the adoption of that course"<sup>12</sup>. In a pessimistic memorandum, Leith-Ross sketched out the conditions for Bri-

<sup>10</sup> Foreign Office, General Correspondence, P.R.O. (Hereafter FO 371) FO 371/16418, W8747/8034/50, Memorandum by Wellesley, 25 July 32.

<sup>11</sup> P.R.O. T 188/34, Leith-Ross to Fisher, 14 July 32; P.R.O. T 188/68, Memoranda on the Preparatory Committees by Leith-Ross and Phillips, November 1932 and January 1933.

<sup>12</sup> Committee of Treasury Papers, Bank of England, (Hereafter B/E), B/E OV4 PN72, Rodd to Hopkins, 3 Nov. 32.

rain's return to gold: a settlement of war debts on a basis that would enable the Lausanne Agreement to be ratified; an agreement on monetary policy involving legislation to give central banks in France and the United States wider powers coupled with assurances that these powers would secure a rise in the price level; some form of settlement which would produce a redistribution of gold; substantial modifications of the present protectionist policies, particularly those pursued by the United States and France<sup>13</sup>.

All in all, it was a fairly substantial list and one which clearly exasperated the delegations of France, Germany and the United States. The German expert Julius Moritz Bonn reported to his government: "things are not the same as they used to be, in that England would to a certain extent lead at world economic conferences; now it is the reverse, she must be led"<sup>14</sup>. The German delegation were not alone in their disappointment. The American and French delegates, too, had looked to Britain to provide the diplomatic lead in Geneva and found the National Government wanting<sup>15</sup>. Deliberations at Geneva proved unfruitful, with little agreement on economic or monetary issues, and British hopes were dampened after the November meetings. Stressing the urgency of the task ahead and the primacy of effective political action, Sir John Simon, the Secretary of State for Foreign Affairs, through the Organising Committee, urged that the Preparatory Committees confine themselves to producing a Draft Annotated Agenda rather than a list of specific proposals. Thus, the government managed neatly to side-step the difficulty of forging any agreement in Geneva.

<sup>13</sup> P.R.O. T 188/43, Leith-Ross to Chamberlain, 21 Nov. 32.

<sup>14</sup> Julius Moritz Bonn Private Papers, Bundesarchiv, Koblenz. (Hereafter B.A. NL 82 Bonn), B.A. NL 82/18 Bonn, Memorandum by Bonn, 3 Nov. 32.

<sup>15</sup> *Documents Diplomatiques Français, 1932-6, Series 2*, (Paris, 1966-), Vol. 2, No. 38, Herriot to Fleriau, 26 Nov. 32, pp. 77-8; General Correspondence of the United States State Department, National Archives, Washington D.C. (Hereafter N.A. SD), SD 550.S1/399, Report by Williams and Day, January 1933.

British policy, as it was unveiled at Geneva, remained largely unchanged for the Conference proper. Her sensitivity to the question of the floating pound, plus her incomplete tariff legislation, meant that she found herself in the embarrassing position of "stone-walling" these first meetings<sup>16</sup>. The Treasury became increasingly fearful that the outgoing Republican government in the United States would make any settlement of war debt payments conditional on Britain's return to the gold standard or a reduction of British tariff levels. Leith-Ross counselled that the best course was to insist on the settlement of war debts before any progress could be made on monetary or economic questions. It was on this issue that Britain attempted to lead economic foreign policy<sup>17</sup>.

It is a measure of Britain's influence that she managed to enshrine in the Draft Annotated Agenda that the "disturbing effects of such payments" would remain an "insuperable barrier" to financial and economic reconstruction<sup>18</sup>. Despite American protests that debts lay outside the Conference's terms of reference, this phrase was often repeated in communiqués sent during negotiations for the payments due on 12 December 1932 and 15 June 1933. The June payment was perilously close to the anticipated opening of the Conference and it was hoped that this would exert pressure on the recalcitrant United States Congress to grant release. The development of British policy towards the Conference increasingly focused on the economic damage caused by these debts, and with some justification. But in the following months there remained the menacing shadow of a question posed by Lord Lothian, and to which Britain failed to formulate a convincing answer: "what is the programme for World Recovery to which it is possible to secure both U.S. and

<sup>16</sup> *The Economist*, Supplement on the Agenda for the World Economic Conference, 28 Jan. 33, p. 4.

<sup>17</sup> Frederick Phillips Papers, P.R.O. (Hereafter T 177), P.R.O. T 177/12, Memorandum by Leith-Ross, 20 Dec. 32.

<sup>18</sup> P.R.O. T 188/58, Orme Sargent to Leith-Ross, 20 Dec. 32.

European co-operation - assuming that the Debt question is out of the way?"<sup>19</sup>

## II

Amongst the European powers war debts and reparation payments were convenient and popular villains in the Great Depression<sup>20</sup>. The Treasury reasoned that not only were the reparations instrumental in causing Germany's economic collapse but the network of political debt was guilty of exacerbating the world's maldistribution of gold. From 1931 onwards, the Treasury had increasingly adopted the views of economists like Strakosch and Cassel. They argued that the slump had been caused by a profits squeeze compounded by an uneven placement of the world's gold reserves. On the political side, this movement of gold toward France and the United States had been assisted by war debts payments<sup>21</sup>. Britain felt this burden of debt particularly acutely because the nexus of world debt engendered by the Great War had also radically altered the economic balance of power between leading nations. The United States had displaced Britain in the centre as the largest creditor, with a net debt of over \$11,315 million outstanding in November 1932 alone<sup>22</sup>.

The main thrust of Britain's policy was to try to persuade the United States to accept a line of financial settlement similar to that made in July 1932 at Lausanne. The maximum possible

<sup>19</sup> P.R.O. T 188/58, minute from Leith-Ross to Waley enclosing a memorandum by Lothian, December 1932.

<sup>20</sup> C.P. KINDLEBERGER, *The World in Depression*, p. 24. The impact of War debts on the Great Depression is assessed to have played no role in starting it, but to have had some importance in aggravating it. Also see H. FLEISIG "War Debts and the Great Depression", in *American Economic Review*, Vol. 66, 1976, pp. 52-58.

<sup>21</sup> I.M. DRUMMOND, *The Floating Pound and the Sterling Area 1931-39*, (Cambridge, 1981), pp. 128-9.

<sup>22</sup> P.R.O. T 188/58, Table of Debt payments owed to the United States, compiled by the Treasury, November 1932.

German payment was calculated to amount to only \$715 million. Thus European payment would have to be scaled down to recognise "this limitation upon the source from which Europe can draw"<sup>23</sup>. But the United States still adhered to the principle first laid down by President Wilson, refusing to recognise the connection between war debts and reparations no matter how loudly the European powers proclaimed it<sup>24</sup>. To try to circumvent this position, the British repeatedly emphasised the impact of political debt in the world's economic malaise during Conference preparations, while commencing direct negotiations with the United States for the payment due on 12 December 1932.

In the series of notes drafted by David Waley and Leith-Ross to the American Administration and published for American and domestic consumption, further arguments for non-payment, or at least a re-negotiated settlement, were advanced. The most significant note issued to Hoover's administration came on 1 December 1932. It stressed that the payments of war debts and reparations must be viewed in relation to the world economic crisis. War loans had not been issued against material assets and the payments made in the 1923-29 period were based largely on an illusory prosperity. The severity of the Depression with the collapse particularly of primary prices and international trade, coupled with currency depreciation, had enormously increased the burden and difficulty of debt transfer. The annuity paid by Britain in 1923 represented a value of six months' exports, whereas the payment due in 1932 equalled the value of four years' exports to the United States. The balance of payments was also seen as heavily weighted against Britain in favour of the United States and the burden was falling increasingly on a

<sup>23</sup> Cabinet Office, Cabinet Conclusions, P.R.O. (Hereafter Cab 23), P.R.O. Cab 23/75, minutes of conclusions, 8 Feb. 33.

<sup>24</sup> Stimson Diaries and Papers, (Microfilm at University Library, Cambridge. Originals held at Sterling Memorial Library, Yale University. Hereafter Stimson), Stimson reel 84, Hoover to Stimson, 27 Jan. 33.

tax-payer whose capacity and will to pay was seriously diminishing<sup>25</sup>.

The National Government stressed that subsequent discussion on Britain's capacity to pay would be soured if she were forced to make the December payment and pointed to the practical difficulties in transferring such a sum to the United States. The British government maintained that, while its gold and foreign exchange reserves were adequate for the purpose of mitigating exchange fluctuations, they were insufficient to cover the payment of \$95,500,000 due on 15 December, 1932. The only possible alternative would be a payment in gold. This would involve considerable sacrifice on the part of the Bank of England from gold reserves which were "widely regarded as no more than sufficient for the responsibilities of London as a financial centre". When it became apparent that the United States would not relent, Chamberlain decided to make the December payment in full and in gold. It was a decision which sprang from practical as well as moral considerations. The shipment of gold would have a less damaging effect on Britain's currency exchange and the complete payment was intended to give Britain a strong hand in the next round of negotiations<sup>26</sup>. Clearly unhappy, the final note accompanying Britain's December payment stressed that the procedure was "obviously exceptional and abnormal".

Such a solution to the 15 December payment question was politically impossible for France in view of the concessions granted to Germany at Lausanne. Despite the valiant efforts of Herriot, France defaulted. It was unthinkable for the French Chamber to cancel German reparation payments if France had to continue to meet American demands for war debts. Britain repeatedly argued it was the turn of the United States to live up to this same spirit of sacrifice. The United States, on the other

<sup>25</sup> *The Times*, 2 Dec. 32.

<sup>26</sup> A special supplement on War debts in *The Economist*, 5 Nov. 32, p. 817.

hand, felt that French policy was completely selfish. France had "withdrawn enough gold from the Federal Reserve Bank to repay its entire war-debt obligation" until 1942, and Britain was weakening her own case for war debt revision by siding with the French government<sup>27</sup>. Britain was caught on the horns of a familiar dilemma: making a straight choice, or so it seemed to the parties concerned, favouring either Europe or the United States. But Britain always attempted to examine such problems in a global context, tempered with domestic considerations. In the case of war debts, the solution favoured Europe. The same dilemma was to emerge again during the monetary deliberations at the Conference, with a rather different outcome.

Within Britain's coalition government, the war debts were also a useful means of bonding support for an international economic conference. Whatever their political colour, members of the Cabinet were solid in their desire to see war debts revised. Lord Hailsham, Secretary of State for War, expressed a view popular in Britain: debts owed to the United States were simply their share of the war effort. After all when "our cruisers brought US troops etc. over to Europe, (we) made no charge for the use of our navy"<sup>28</sup>. Although the Prime Minister and John Simon remained sensitive to the implications for British diplomacy which the debt issue held.

MacDonald was the chief promoter of the World Economic Conference in the Cabinet<sup>29</sup>. The Prime Minister hoped for a concerted international effort to promote economic recovery at the Conference which would also encompass a fair solution to

<sup>27</sup> P.R.O. T 188/47, Record of meeting to discuss war debts held in the Foreign Office, 21 Nov. 32. For the American view on France's capacity to pay see S.A. SCHUKER, American "Reparations" to Germany, 1919-1933", *Princeton Studies in International Finance*, No. 61, 1988; Stimson reel 83, Stimson to MacDonald, 12 Aug. 32.

<sup>28</sup> P.R.O. PRO 30/69/679, Hailsham to MacDonald, 17 May 33.

<sup>29</sup> Chamberlain feared that MacDonald's friendship with Stimson in particular, would weaken his commitment to cancellation: NC 18/1/786, Chamberlain to Hilda, 11 June 32.

the Debt problem<sup>30</sup>. However, apart from generally increasing the prestige of the British government and stressing the importance of international economic co-operation, MacDonald had little notion of what the Conference could achieve in concrete agreements. If Neville Chamberlain's sentiments were anything to go by, the prospects were none too bright. The Chancellor complained to his sister: "I have a horrible time ahead of me with this awful World Conference coming on in June. The P.M. thinks it will be all over by Christmas! And it is difficult to see how anything valuable can come out of it"<sup>31</sup>.

In November 1932, the Treasury had advocated a strategy which might have produced an early settlement to the wasteful and consuming problem of war debts and fostered a climate conducive to international economic co-operation: Britain should take a firm line and not pay her December instalment. In a conclusion reached primarily from examining the political rather than the economic climate, Leith-Ross argued that Congress was "completely irresponsible and not open to argument". Suspension was the only way to bring the Americans round. Moreover, the imminent change in Administration meant that Britain could begin with a clean slate once Roosevelt came into office and, if necessary, the new President could even blame Hoover for Britain's default. This would rid Britain and France of their debt payments and preserve the settlement in Europe achieved at Lausanne. Echoing Hoover's strategy that psychological improvement would lead to economic recovery, Leith-Ross urged that what the international economy most required was certainty<sup>32</sup>.

The difficulty was to transform this aim into political reality. The National Government seems to have had little sympathy

<sup>30</sup> B.J. EICHENGREEN, "Sterling and the Tariff, 1929-1932", *Princeton Studies in International Finance*, No. 48, 1981, p. 1.

<sup>31</sup> NC 18/1/827, Chamberlain to Hilda, 14 May 33.

<sup>32</sup> P.R.O. T 188/49, Secret memorandum by Leith-Ross, 25 Nov. 32.

with the political realities of the economic crisis on the other side of the Atlantic. Both Republican and Democrat Administrations felt that the sums offered by the British would be insufficient to placate their own electorate without European concessions on other issues. The United States no longer wanted, or felt able, to play "fat boy" in Europe.<sup>33</sup> The American representatives at the Conference preparatory meetings in Geneva had focused on the Republican government's desire that Britain return to the gold standard and the introduction of the General Tariff. The departure of the United States from the gold standard in April 1933 removed this bone of contention, but the run on American banks which had precipitated it, coupled with the horrific collapse in primary prices, made America acutely aware of her own economic vulnerability. Large concessions on the part of the new Administration were impossible, regardless of any desire that Roosevelt may have had to give them. So American attention turned to the issues of disarmament and British tariff policy in attempts to broaden debt negotiation.

Facing a new American Administration on the other side of the Atlantic certainly made things more difficult for the British. But far more restricting were the conditions dictated by the primacy of domestic economic recovery. The dominant orthodox and nationalist economics of the Cabinet determined that Britain needed to keep her home and Empire market protected and a free hand in her monetary policy. Debt discussions could not be extended to encompass other questions. In an attempt to fudge the issue, Chamberlain urged that war debts owed to the United States be hidden amongst other economic questions like tariff reduction. "Roosevelt could then strengthen this argument by pointing out (to Congress) that these questions would have to be discussed by other nations, and that he did not want to have this great exploration upset by the default of one nation to

<sup>33</sup> R. MOLEY, *After Seven Years*, (London, 1943), p. 205.

another".<sup>34</sup> This amounted to stressing that war debts be settled before headway could be made at the World Economic Conference, but little else.

Britain's ambassador to the United States, Sir Ronald Lindsay, held conversations with members of the Senate and the President-elect in January and February 1933. He was armed with instructions to attempt a settlement of the problem on two conditions: it should not involve a reopening of the Lausanne settlement and future payments by the United Kingdom should be covered by British receipts from her debtors. Lindsay was not given any new proposals with which to bargain.<sup>35</sup>

Following the December payment, the British government spent a considerable time watching developments in the United States, desperate for signs that the opinion of the American public and that of Congress was shifting. They found few crumbs of comfort. Typical of the suspicion and anxiety which dominated the issue was the report carried by the *Philadelphia Ledger*, which claimed that Britain had insisted on meeting her December debt payment in gold "in order to depress sterling, force down commodity prices, and increase unemployment in America".<sup>36</sup> Moreover, American suggestions that war debt reductions be traded against armament concessions found little favour in Britain or elsewhere in Europe.<sup>37</sup> The Foreign Office were adamant that moves to "bargain so many millions of war debts against the scrapping of so many British cruisers or so many more in millions of war debt in return for the extension to

<sup>34</sup> Records of Cabinet Office Cabinet Committee on the British war debt to the United States, P.R.O. (Hereafter Cab 27/548), P.R.O. Cab 27/548, record of meeting held 8 Feb. 33.

<sup>35</sup> The Cabinet was always nervous of the "wretched constitution" of the United States: NC 18/1/808, Chamberlain to Ida, 17 Dec. 32. They tried to console themselves with the notion that Congress was also capable of "hysterical generosity", P.R.O. T 188/47, Lindsay to Simon, 11 Jan. 33.

<sup>36</sup> P.R.O. T 188/58, Lindsay to Simon, 7 Dec. 32.

<sup>37</sup> *Ibid.*, Lindsay to Simon, March 1933.

such and such US exports of the Ottawa preference accorded to Canadian goods" must be resisted at all costs.<sup>38</sup>

The Cabinet did not dismiss a connection between an improved economic climate and disarmament out of hand.<sup>39</sup> It recognised that a less hostile economic climate would help soothe political tensions in Europe and pave the way for some progress in the disarmament talks which had reached a stalemate. But such ambitions lay at the end of a chain which began with the solution of war debts and reparations, through a revival of international trade and currency stabilization and culminated in a more secure political environment to aid disarmament negotiations.<sup>40</sup> The National Government rejected moves to introduce the question of disarmament any sooner. In a more immediate sense, it was hoped that Anglo-French co-operation over war debts could provide a potential avenue to resolving some of the hurdles in the disarmament conference. The World Economic Conference might provide a welcome distraction from the problems of disarmament in Geneva.<sup>41</sup>

From the American perspective, however, tariffs and a possible British return to the gold standard, could offer a means for solving the deadlock in debt negotiations. Fairly positive signals along these lines emanated from meetings between Ambassador Lindsay and President Roosevelt. The latter spoke of Britain and the United States working together to improve the economic climate through a "comprehensive programme. He wanted to figure before Congress as a man making a concerted attack on the economic difficulties of the economic situation, with the British government beside him. In that programme he was

<sup>38</sup> *Ibid.*, Orme Sargent to Leith-Ross, 20 Dec. 32.

<sup>39</sup> For a discussion of how this strand ties into the development of Appeasement see, *inter alia*, G. SCHMIDT, *The Politics and Economics of Appeasement*, (Leamington Spa, 1986), p. 57.

<sup>40</sup> K. JAITNER, "Aspekte britischer Deutschlandspolitik, 1930-32", in J. BECKER and K. HILDEBRAND (ed.), *International Beziehungen in der Weltwirtschaftskrise, 1929-33*, (Munich, 1978), p. 12.

<sup>41</sup> *Ibid.*

bound to include something about Debts. The gold standard was probably included in his programme. He knew that was a difficult subject for us, but it would be a great advantage if something could be done. Then he would probably include something about tariffs, on which he took a comparatively liberal view".<sup>42</sup> The sentiments Roosevelt expressed at these meetings were little different to the aspirations of his predecessor, Herbert Hoover, although the incoming President had dismissed the possibility of co-operating with Hoover on formulating a policy with which to face the British.<sup>43</sup> The British soon discovered that many leading Senators and Congressmen favoured trading one issue against another to scale down war debts.<sup>44</sup>

On the initiative of the United States, MacDōnald was invited for discussions to Washington in the spring of 1933. This invitation to bilateral talks was extended to numerous leading economic powers, and was indicative of the early internationalist phase of the New Deal. MacDonald arrived in April to discuss questions related to the World Economic Conference together with debts, an issue included at the insistence of the British. The United States, and especially Secretary of State, Cordell Hull, were far more interested in the possibility of tariff reductions. It was not difficult for the two governments to agree on monetary policy after the departure of the United States from the gold standard. At this stage the dangers of competitive dollar depreciation and a more nationalist New Deal remained hidden.<sup>45</sup>

Much more important, however, were the overtures which the Democrat Administration made seeking potential tariff reductions. As early as January 1933, Roosevelt toyed with the idea of negotiating tariff reductions for debts, especially in re-

<sup>42</sup> P.R.O. FO 371/17304, W1901/5/50, Lindsay to Simon, January 1933.

<sup>43</sup> Stimson reel 84, Hoover to Stimson, 27 Jan. 33.

<sup>44</sup> P.R.O. T 188/58, Memoranda by Lindsay of interviews with Senators and Congressmen, 6 Feb. 33-9 Feb. 33.

<sup>45</sup> P.R.O. FO 371/17305, W4442/5/50, Minute by Craigie, 25 April 33.

turn for concessions in agricultural products, but President Hoover had been correct in his suspicions that the British government, especially the Treasury, would veto such negotiations.<sup>46</sup> This approach was quite out of the question for the British. The agreements reached at Ottawa were still in their infancy and were seen as a purely domestic economic matter. The Board of Trade rejected as repugnant any notion of going "cap in hand" to the United States.<sup>47</sup> Not only were Britain's tariffs non-negotiable for debt settlement but her policy for the World Economic Conference made successful discussions to reduce the world's tariff barricades unlikely. Yet Britain wanted American co-operation on the revision of war-debts. In the spring of 1933 stalemate appeared inevitable.

As the June war debt instalment due to the United States loomed, the atmosphere of Anglo-American relations became increasingly sour. Once again, no solution seemed in sight. The constant flurry of telegrams across the Atlantic focused on whether this specific payment should be made, and if so by what means. Fearing a complete breakdown of Anglo-American relations prior to the opening of the Conference, Britain agreed to a "Token Payment". Apart from wrangling over whether it should be called a "token payment", as in America this meant "a small worthless object", British officials also began to bargain as to how much would be necessary to make a sufficient impact on American public opinion. Even good will in the Foreign Office towards the United States had run dry, as the Permanent Under-Secretary to the Foreign Office, Robert Vansittart reasoned, "If Paris were 'worth a mass', Anglo-American relations were worth \$5 million". After all "we ought to think of the world at large before we bid them go hang".<sup>48</sup> Finally deciding on \$10 million in silver, to sweeten the silver lobby in Con-

<sup>46</sup> R. MOLEY, *After Seven Years*, p. 202.

<sup>47</sup> P.R.O. T 188/49, Fisher to Chamberlain, 6 Dec. 32.

<sup>48</sup> P.R.O. T 188/74, Vansittart to Leith-Ross, 6 June 33.

gress, the matter was laid to rest for the duration of the Conference, or at least so the United States believed. It was certainly enough to purchase Roosevelt's declaration before Congress that he did not regard the United Kingdom to be in default of her debt payments.

Yet matters rested barely two days. Minutes into his opening address at the World Economic Conference, MacDonald announced that "the Conference is not constituted in such a way as to consider and settle war debts, but they must be dealt with before every obstacle to general recovery has been removed. The question must be taken up without delay".<sup>49</sup> This explicit reference to war debts, only days after the United States' eleventh hour proposal for a 'token' payment to settle the issue, excited much ill-will both amongst the American delegation in London and the Democrat Administration at home. The Americans charged the British with a breach of faith.<sup>50</sup> The United States' recently appointed ambassador to Britain, Robert Worth Bingham, complained that MacDonald's incursion into the question of war debts was "inexcusable and unwise". Bingham believed that the war debts reference antagonised matters for Roosevelt at home and he recorded "at the time I was convinced MacDonald had wrecked the Conference, unless the President should save it".<sup>51</sup> The American sense of betrayal was fuelled by the knowledge that no reference to war debts had been included in the advance copy of the Prime Minister's speech.<sup>52</sup> The World Economic Conference's first 'bombshell message' had come, not from the pen of Roosevelt, but the mouth of MacDonald. This was hardly an auspicious opening for the world gathering. The following year the debt issue grew even more

<sup>49</sup> N.A., S.D. 550.51/1128, Atherton to Phillips, 19 June 33.

<sup>50</sup> Stimson reel 5, Diary of Visit to Britain, record of conversation with Atherton, 22 Sep. 33; Private Papers of Robert Worth Bingham, Library of Congress, (Hereafter L.C., Bingham), L.C., Bingham Diary, entry 14 June 33.

<sup>51</sup> L.C., Bingham Diary, entry 14 June 33.

<sup>52</sup> *Ibid.*; L.C., Bingham Diary, entry 10 Aug. 33.

acrimonious with the passage of the Johnson Act in the United States. Much to Britain's chagrin, the Act branded her as a defaulter in the same class as the French and the Act prohibited all further loans to defaulting nations.<sup>53</sup>

### III

In all this haggling, the British firmly resisted overtures made by the United States for discussions which aimed at tariff reductions. As Cordell Hull had made clear to the representatives who converged on Washington in the spring and early summer 1933, the United States intended proposing a flat rate reduction of 10% on existing tariff rates, a corresponding enlargement of quotas, and bilateral negotiations with unconditional most-favoured-nation treatment.<sup>54</sup> This aroused some interest amongst the European powers,<sup>55</sup> but eyes were firmly fixed on Britain to see how she would react to such tariff reduction overtures from the Americans. German interest was firmly focused on the British response to such proposals. Germany believed a radical change had occurred in Anglo-German trading relations following Britain's departure from the gold standard, the Ottawa Agreements and her switch from free trade to an "exceptionally high protective tariff". The German Foreign Ministry was keen to see how Britain would now reconcile this economic nationalism with her alleged leadership of the World Economic Conference.<sup>56</sup>

The German government had long complained that its negative balance of trade with the United States had impeded its abil-

<sup>53</sup> Stimson reel 83, Diary of Trip to Britain, July 1933.

<sup>54</sup> Board of Trade, Commercial Department, General Correspondence, P.R.O. (Hereafter BT 11) BT 11/196, Lindsay to Simon, 10 April 33.

<sup>55</sup> Records of the German Foreign Ministry, Foreign Office and Commonwealth Library, London, P.R.O. (Hereafter GFM), P.R.O. GFM 9245/E 651361, Posse to Ritter, 9 Jan. 33.

<sup>56</sup> P.R.O. GFM 3177/D 68371, Memorandum by Ritter, 24 Jan. 33.

ity to make reparation payments. They were now anxious lest Britain's move to protectionism would further inhibit German exports. Germany was only too aware "that the British government had offered a very valuable service in 1932 on certain important political questions", and they were still likely to need such political assistance in 1933. The German government coolly calculated that Anglo-German relations could ill-afford to be compromised by conflict on questions of trading policy.<sup>57</sup> Germany was relieved, therefore, when American attempts to reduce tariffs were stymied by the British. Should Britain have promoted a policy to reduce protectionism at the World Economic Conference, Germany feared she would be forced to compromise her own protectionist trade policy for British political assistance on questions like the renegotiation of the Standstill agreements on her short-term loan obligations, or on questions of disarmament.

British tariff policy for the Conference had largely been formulated prior to the Preparatory meetings held in Geneva in November 1932. The rising tide of protectionist sentiment in postwar Britain became a flood during the Great Depression, and 1931 to 1932 witnessed one of the greatest changes in British commercial policy. The Abnormal Importations Act was passed in November 1931, swiftly followed by the Import Duties Act four months later.<sup>58</sup> These acts marked the end of British free trade and additional protection was secured by the pound's depreciation in September 1931.<sup>59</sup> Empire trade had always been intimately linked with protectionism in Britain. The Ottawa Conference 1932, added a further tier to the evolution of British tariff policy. MacDonald reluctantly agreed to it, as he remained anxious about the implications changes in British tariff

<sup>57</sup> *Ibid.*, p. 6.

<sup>58</sup> B.J. EICHENGREEN, "Sterling and the Tariff", p. 2.

<sup>59</sup> F. CAPIE, *Depression and Protectionism: Britain between the Wars*, (London, 1983), p. 41.

policy would have on diplomatic relations.<sup>60</sup> Neville Chamberlain was a far more enthusiastic promoter of Imperial economic ties, happy to continue his father's work. The quota agreements reached at Ottawa were not so much a systematic extension of British tariff policy, as a muddle of *ad hoc* concessions and desperate last minute bargaining.<sup>61</sup> Still, they were quickly incorporated into Britain's economic foreign policy and other nations were forced to reassess their trading relations with Britain. The United States, amongst others, felt themselves to be increasingly outside a "charmed circle" of agricultural producers.<sup>62</sup> This anxiety was magnified by a conviction shared by the Germans, that these agreements were not a conclusion but rather a beginning.

On tariffs, British policy for the Conference was rooted in what the Conservative-dominated National Government perceived to be the needs of the domestic economy. Any hopes for international agreements to reduce tariffs had already been weakened by the failure of the 1927 World Economic Conference, held in Geneva, which had been long on condemning tariffs and short on results. The Board of Trade discounted the possibility of any success coming from universal declarations on the tariff question. Both they and the Treasury had good reason for their misgivings. The practical difficulties in reducing tariffs were immense. They had been erected in a haphazard fashion with variable rates and structure, frequently pitched against depreciated currencies. The difference between nominal tariff rates and their effective level has long been hotly debated alongside their assessed contribution to economic recovery.<sup>63</sup> But whatever

<sup>60</sup> Simon Papers, (Bodleian Library, Oxford. Hereafter Simon) Simon 70, MacDonald to Simon, 27 Dec. 31.

<sup>61</sup> M. DRUMMOND, *Imperial Economic Policy, 1917-1939: Studies in Expansion and Protection*, (Toronto, 1974), p. 31.

<sup>62</sup> M. TRACY, "Agriculture in the Great Depression" in ed. H. van der Wee, *The Great Depression Revisited*, (The Hague, 1972) p. 195.

<sup>63</sup> P.R.O. T 188/68, memorandum by Leith-Ross and Phillips 23 Jan. 33. For a contemporary summary see D.H. ALDCROFT, *The British Economy*, pp. 70-83.

er the variables, a firm, determined hand would be needed if any results were to be achieved in lessening obstacles to trade.

The United Kingdom decided "that the Conference should be led to stress the importance of effecting reductions of tariff barriers by means of bilateral negotiations in the light of any general principles that may be evolved at the Conference".<sup>64</sup> They remained suspicious of any multilateral tariff reductions, although a few exceptional cases, like the Danubian Basin, might be allowed to pass on historical grounds. Britain remained insistent that she would not follow the reasoning which had produced the Ouchy Convention, an agreement between the Netherlands, Belgium and Luxembourg for mutual tariff concessions of 5% a year for ten years, which clearly violated their most-favoured-nation (MFN) commitments.<sup>65</sup> The most-favoured-nation principle remained the basis of British tariff policy in her fairly extensive network of trading relations. It was seen as the most viable means of securing the best treatment for her goods in as many countries as possible as British trading interests were far too widespread and diversified to risk any discrimination which abandoning the principle might produce.<sup>66</sup>

Having championed the MFN clause against the call of Aristide Briand for some form of European economic organisation in 1929-1930, Britain again used the clause to avoid being drawn into specific tariffs negotiations at the World Economic Conference.<sup>67</sup> But this time international hostility to Britain's position on the clause was more pronounced because of the recently concluded Ottawa agreements. These imperial trade preferences were not to be passed onto countries with whom Britain had most-favoured-nation arrangements. The United States,

<sup>64</sup> P.R.O. BT 11/201, DPC Paper No. 24, Memorandum by the Board of Trade, May 1933.

<sup>65</sup> P.R.O. FO 371/17304, W 2992/5/50, Text of a speech by Runciman, 15 Mar. 33.

<sup>66</sup> P.R.O. BT 11/234, Memorandum by the Board of Trade, May 1933.

<sup>67</sup> R.W.D. BOYCE, "Britain's First 'No' to Europe: Britain and the Briand Plan, 1929-30", *European Studies Review*, Vol. 10, 1980, pp. 18-45.

Germany and France all saw these imperial agreements in direct conflict with the MFN principle and Britain could offer only a weak defence: the British government and its Empire enjoyed an "historic kinship" which could not be interpreted within traditional trading relations.<sup>68</sup> The Germans reported in frustration that it had obviously "not yet become clear to the English how they have damaged us in great measure by the direct and indirect contents of the Ottawa agreements".<sup>69</sup>

Germany correctly identified the inconsistency in Britain's trading policy.<sup>70</sup> The German government asked how London could on the one hand defend MFN and on the other, sign the Ottawa agreements, while declaring that nations send delegations to London to promote international economic recovery! Sir Walter Layton, editor of *The Economist* and a member of the Economic Advisory Council, urged the government to modify its attitude. Rather than piecemeal bilateral bargaining, he argued that the best way forward in tariff negotiations was by multilateral means. Certain countries could agree to use a flat-rate maximum tariff, like the Ouchy convention, which ought not to be higher than 10%. Layton gauged that international opinion was very favourable to such a plan. Calculating that Britain was the world's largest import market, buying 20% of goods exported by the rest of the world, few nations would dare to quarrel with her over such an initiative. She should take a "bold lead" in bringing about tariff reductions.<sup>71</sup> The Board of Trade remained unmoved and Layton felt compelled to resign his position as a British expert at the Preparatory meetings in Geneva.

Britain had also concluded a large number of bilateral treaties following the institution of the General Tariff in 1932. These agreements with Denmark, Argentina, Norway, Sweden,

<sup>68</sup> P.R.O. Cab 29/142, M.E.(B) 21, Memorandum by Board of Trade, 14 June 33.

<sup>69</sup> P.R.O. GFM 9245/E 651450, Posse to Berger, 12 Jan. 33.

<sup>70</sup> P.R.O. GFM 9245/E 651649, Rüter to von Neurath, 18 Mar. 33.

<sup>71</sup> P.R.O. T 188/68, Layton to MacDonald, 27 Sep. 32.

Finland and Iceland, as well as a preparatory exchange of notes with Germany, were confined to primary products like butter and beef. The British government's addiction to this "new" form of diplomacy was simply an attempt to catch up on tariff levels implemented by other nations. These agreements, like those reached at Ottawa, were defended as an incentive for other nations to enter into tariff negotiations with Britain because it would now give contracting parties something to bargain with.<sup>72</sup> Cordell Hull's view was less generous. He interpreted these agreements as a great threat to American trading interests and saw Britain's tariff rates as inflated, designed for use "as a club with which to beat down the trade barriers of other countries".<sup>73</sup>

But Britain was not prepared to do any clubbing at the Conference. She may have proclaimed the necessity that tariffs should be reduced at the Preparatory Commissions, but economic considerations determined that she should retain a free hand in her own tariff policy. In memoranda almost identical to those being composed by their counterparts in Germany, the Board of Trade argued that the percentage level of British tariffs were lower still than those of many of her competitors, particularly the United States. In his meeting with Georges Bonnet, held in March 1933, Chamberlain outlined why he was sceptical of any co-operation with the United States on the question of tariffs. "We were faced with the difficulty that the United States sells to us five or six times what she takes from us. We thought that it was for America first to lower her tariffs very substantially so

<sup>72</sup> J.P. NICHOLS, "Roosevelt's Monetary Policy in 1933", *American Historical Review*, No. 56, 1951, p. 295; H.V. HODSON, *The Slump and Recovery*, p. 165.

<sup>73</sup> Cordell Hull Private Papers, Microfilm, University Library, Cambridge. Originals held at the Library of Congress, Washington D.C. (Hereafter Hull), Hull reel 46, Memorandum by Hull, April 1933. He argues that the British had based their tariff policy on the misconception that because US tariffs were higher than their own, they were more damaging. This was not the case because US rates had been "in place for one or more decades", whereas British rates were new and therefore far more harmful.

that we could increase our trade with her".<sup>74</sup> Not only did Britain feel that the United States should make considerable reductions before Britain should need to make any, but possible tariff negotiations with France were also ruled out. The arch villain in using import quotas to strangle international trade, France's proclamations on the need for tariff reductions were treated with scepticism by the British.<sup>75</sup> They confidentially noted that French quotas primarily cut down on imports from Belgium, Czechoslovakia and Germany; their effect on Britain was "relatively unimportant".<sup>76</sup>

Britain's determination to promote bilateral trade negotiations at the World Economic Conference was also supported by her industrial advisers for the Conference.<sup>77</sup> The government asserted that, as tariffs had been constructed on the basis of "minimum protection", bilateral negotiations with countries who had a favourable balance of trade with Britain would make it possible for her to arrive at satisfactory agreements without making "any substantial concession upon her present level of tariffs".<sup>78</sup> This siege mentality on tariffs was by no means unique to the National Government, but Britain's strength as one of the world's leading trading nations did present an opportunity to initiate economic co-operation that was dismissed too easily.

This determination not to modify British tariff policy also

<sup>74</sup> P.R.O. T 188/63, W3292/5/50, Notes of the meeting held in the Treasury between Bonnet and Chamberlain, 17 Mar. 33.

<sup>75</sup> P.R.O. T 188/63, Memorandum by the Board of Trade on Anglo-French trade, March 1933.

<sup>76</sup> P.R.O. T 188/36, Memorandum by the Board of Trade, 31 Mar. 32.

<sup>77</sup> It has been argued that the government's sensitivity to business pressures reached a high water mark at the World Economic Conference, after which it declined, see R.F. HOLLAND, "The Federation of British Industries and the International Economy, 1929-1939", in *Economic History Review*, Vol. xxxiii, 1981, p. 293. This fails to take into account the government's desperation to keep business interests out of the Conference, for unlike Ottawa, the meeting in London was a political gathering.

<sup>78</sup> P.R.O. T 188/43, Memorandum by Industrial Advisers to the World Economic Conference, No. 7, 29 June 33.

applied to the Empire. Discussions between delegates from the Empire and Britain were limited to a reaffirmation of the agreements at Ottawa, but they were not extended. Indeed, there was very little attempt by the British government to collaborate with the Empire in preparations for the Conference. But until the Conference met in London, the sterility of British tariff policy was masked by her membership of the tariff truce established in Geneva.<sup>79</sup> The tariff truce had been created to preserve the status quo on tariff arrangements for the period prior to and during the World Economic Conference. Britain, like other participants, joined with the proviso that tariff arrangements currently passing into legislation could continue to do so. This condition was made with an eye on the agreements signed at Ottawa and British bilateral negotiations still in progress. At the talks held in Washington the following April, which the British had mainly seen as an opportunity to force a war debt settlement, the Americans had proposed a new formulation of the tariff truce. They also promised further proposals which would aim at broad tariff reductions.<sup>80</sup>

Britain was convinced that no good would come of the tariff truce.<sup>81</sup> Moreover, the Board of Trade quickly recognised that Norman Davis' new formulation of the truce was unconditional and threatened to restrict Britain's freedom to impose tariffs already in the pipeline. They suspected the United States of attempting to sabotage bilateral negotiations which were taking place between Britain and Argentina, and further implementation of Ottawa agreements pertaining to cod liver oil and frozen salmon.<sup>82</sup> Much to Britain's relief, American promises for further tariff reduction proposals made in April and May 1933, remained unfulfilled.

<sup>79</sup> P.R.O. BT 11/202, Memorandum by Board of Trade, May 1933.

<sup>80</sup> P.R.O. FO 371/17305, W5073/5/50, text of the new American resolution for a Tariff Truce, 29 April 33.

<sup>81</sup> P.R.O. FO 371/17305, W4450/5/50, Lindsay to Simon, 24 April 33.

<sup>82</sup> P.R.O. BT 11/196 134306, Minute by Leith-Ross, 8 June 33.

While the National Government had no difficulty in expressing their general agreement with the United States that tariff barriers should be reduced, this was a quite different matter from embarking upon specific proposals. Cordell Hull, in his innocence, was bitterly disappointed when President Roosevelt shelved the proposals for a reciprocal trade agreements bill which would authorise the administration to conclude tariff reduction agreements on a most — favoured — nation basis. He had hoped to show a draft of the bill to other nations to support his call for concrete action on tariffs. Roosevelt chose to postpone his authority for such a scheme for fear of compromising recovery measures being instituted by the National Recovery Administration and the Agricultural Adjustment Administration. The President confirmed his support for Hull's tariff action, "but the situation in these closing days of the session is so full of dynamite that immediate adjournment is necessary. Otherwise bonus legislation, paper money inflation, etc., may be forced... Therefore, tariff legislation seems not only highly inadvisable, but impossible of achievement".<sup>83</sup> Britain was spared the predicament of displaying how nationalist her tariff policy had become. Political events in the United States had drawn Roosevelt from making any specific initiatives towards reduction in London, although the nationalist tone of Britain's position was not lost on the United States.<sup>84</sup>

Ironically, the German government, unnerved by Britain's switch to bilateral trade negotiations, had harboured fears that the American and British governments would conclude some form of bilateral agreement at the London conference. Their apprehensions, of course, proved unfounded, and given Hull's later bitter denunciation of Britain's protectionism in the autumn of 1933, an Anglo-American trading agreement was now a

<sup>83</sup> L.C. GARDENER, *Economic Aspects of New Deal Diplomacy*, (New York, 1969), p. 20. Hull's disappointment on tariffs is clear in *The Memoirs of Cordell Hull*, (London, 1948), p. 267.

<sup>84</sup> Hull reel 46, Memorandum by Hull, April 1933.

remote possibility.<sup>85</sup> Hull continued to labour long and hard to sign a trading agreement with Britain for both economic and political reasons. It took him five more years to reach his goal,<sup>86</sup> and his interpretation of Britain's tariff policy at the Conference naturally had a profound impact on his attempts to negotiate tariff reductions with the British government in the ensuing period.

At the World Economic Conference, Hull remained authorised by Roosevelt to negotiate general reciprocal commercial treaties based on mutual tariff concessions.<sup>87</sup> Whilst the Conference began to crumble in disunity on monetary questions, he repeatedly attempted to push through some form of general statement about the desirability of all round tariff reductions, as he had first outlined in the spring. In his final speech at the Conference Hull reiterated his proposals and Neville Chamberlain countered them with his usual defence that British tariffs were still in a formative stage and were lower than elsewhere.<sup>88</sup> It was only Ashton-Gwatkin in the Foreign Office who took much notice of the proposals as a possible future basis for Anglo-American economic co-operation.<sup>89</sup>

Neville Chamberlain remained adamant that the Conference adhere to specific initiatives and on economic issues all the British delegation could offer were plans to restrict the production of specific commodities. Encouraged by the limited adoption of this principle at Ottawa, Chamberlain saw it as an opportunity for lifting discussions on tariffs and other forms of protection from the level of mutual recrimination onto a more constructive plane. Agreements between producers were to be fostered and

<sup>85</sup> P.R.O. GFM 9245/E 651312, Memorandum by Ritter, 3 Jan. 33.

<sup>86</sup> For a detailed reappraisal of Hull's importance in Roosevelt's administration see T.K. McCULLOCH, "Anglo-American economic diplomacy and the European crisis, 1933-39", (Unpublished D. Phil, Oxford, 1978).

<sup>87</sup> C. HULL, *The Memoirs of Cordell Hull*, p. 251.

<sup>88</sup> *Journal of the Economic and Monetary Conference*, No. 39, 28.7.33, pp. 232-241.

<sup>89</sup> P.R.O. FO 371/17308, W 8178/5/50, Minute by Ashton-Gwatkin, 29 July 33.

specific commodities singled out for such action were wheat, cotton, wool, timber and for the benefit of the American domestic political scene, silver.<sup>90</sup> Even Leith-Ross recognised such measures were mere palliatives. But this line of action gave the conference its only concrete achievement: an agreement to restrict silver production and thus raise its price.<sup>91</sup> The American silver lobby under the leadership of Senator Key Pittman went home content.

#### IV

The notoriety of Roosevelt's 'bombshell message' is surprising given the twists and turns in international monetary relations since the summer of 1931. In the months before the London Conference matters again became complex. The departure of the United States from the gold standard whilst MacDonald and Leith-Ross were aboard the *Berengaria* en route to Washington was the first, but not totally unexpected blow. The second, and more unmanageable, came with fluctuating dollar exchange rates, and an increasingly evasive Roosevelt just as the Conference was convening in London.

As Herbert Feis, the economic adviser to the State Department, pointed out, it was the United States which lit the fuse by suggesting the temporary stabilization agreement at the first meeting of the Preparatory Committee for the Conference in Geneva, November 1932. The American delegates, Edwin Day and John Henry Williams, were representative of all nations still on gold who attended the Conference: Britain must stabilize before the ultimate aim of raising prices could be discussed. It was,

<sup>90</sup> Records of the Ministerial Committee for the World Economic Conference, P.R.O. (Hereafter, Cab 29/140-142), P.R.O. Cab 23/142, Memorandum by Board of Trade, May 1933.

<sup>91</sup> S.N. BROADBERRY, *The British Economy Between the Wars: a Macroeconomic Survey*, (Oxford, 1986), p. 132.

of course, "not foreseen that this demand for stabilisation would concentrate on the dollar".<sup>92</sup> By June 1933 events had altered radically, with Roosevelt's administration the focus of such demands and Britain seemingly anxious for the United States to acquiesce to Gold bloc pressures.

As far as Britain was concerned, the debate centred on a temporary agreement for stabilization for the duration of the Conference only. Her policy on currency stabilization remained constant from the time it was first coherently voiced at Ottawa. There could be no question of the government's return to gold until it was "satisfied that economic conditions at home and abroad permit the adoption of that course and the essential conditions are those concerned with freer trade and a higher price level".<sup>93</sup>

From being the outsider on stabilisation at the Geneva meetings, by June 1933 the British delegation found themselves urging the American President to concur with at least a limited statement of monetary policy co-ordination to calm dollar fluctuations. The details of the final drafts of the stabilisation agreement and Roosevelt's "bombshell message" have been ably chronicled elsewhere.<sup>94</sup> The drafts of the stabilisation agreements telegraphed to Roosevelt were simply designed to quell currency speculation and allow the Conference to turn its attention to other pressing issues. The language of Roosevelt's 'bombshell message' in denouncing the "old fetishes of so-called international bankers, was undeniably strong."<sup>95</sup> Roosevelt was indeed quite mistaken in his belief that the Conference was asking him to formally repeg the dollar and to restrict his free-

<sup>92</sup> H. FEIS, *1933: Characters in Crisis*, (Boston, 1966), p. 29.

<sup>93</sup> P.R.O. T 188/68, Memorandum by Leith-Ross and Phillips, 10 Nov. 32.

<sup>94</sup> For details of Moley's mercy dash to London see DRUMMOND, *The Floating Pound*, pp. 162-172; MOLEY, *After seven Years*, pp. 224-267.

<sup>95</sup> *Foreign Relations of the United States*, Washington D.C., 1950, Vol. 1, 1933, pp. 673-74. The original document was given by the President to FDR jnr., and is now retained at Hyde Park in FDR, OF:17.

dom of action in domestic policy. This would have been equally out of the question for the British. As Ian Drummond has pointed out, Neville Chamberlain would never have agreed to a policy which limited the scope of his domestic policies.<sup>96</sup>

But Roosevelt's message was also tempered with the claim that America's "broad purpose is the permanent stabilisation of every nation's currency". There was a sense of frustration in the President's plea that it "was a catastrophe amounting to a world tragedy, if the great Conference of Nations... should... allow itself to be diverted by the proposal of a purely artificial and temporary experiment affecting the monetary exchange of a few nations only".<sup>97</sup> For countries still on the gold standard, most notably France, Roosevelt's 'bombshell' did mark the end of any possible use the Conference may have had for their economic and monetary policies. In Europe the conclusion became almost uniform: the Conference had been sunk by Roosevelt's 'bombshell message'. This furore over the temporary stabilisation agreement and the almost universal condemnation of the United States, provoked a strong response from the other side of the Atlantic. Congressman Reynolds, a member of the American delegation to London and Chairman of the Congressional Committee on Foreign Affairs, vehemently protested "that stabilisation was made an excuse by some for wrecking the Conference, and for throwing the blame on us... (it) was no more than a pretext as they, judging from all the signs, did not intend to make any material agreements relative to quotas, tariffs and embargoes."<sup>98</sup> The American government felt it had been made a scapegoat for the Conference debacle.

America's deliberate decision to depreciate the dollar in the spring of 1933 had further complicated the already complex world of international economic co-operation. On the 19th

<sup>96</sup> DRUMMOND, *The Floating Pound*, p. 170.

<sup>97</sup> *Ibid.*

<sup>98</sup> Hull: reel 46, Memorandum by Reynolds, 5 Aug. 33.

April, the day MacDonald and Leith-Ross were due to arrive in New York, the United States left the gold standard in an attempt to raise wholesale prices.<sup>99</sup> The United States were not in the dire straits Britain had been when gold flooded out of her coffers in September 1931. The British Treasury began to signal Leith-Ross that other gold bloc countries could rapidly follow the United States off gold if the dollar were to depreciate heavily. "If (the) World Conference met during that period of confusion, its adjournment pending more settled conditions would prove inevitable".<sup>100</sup> It was a further twist to developments which had taken place since the first meeting of the Preparatory Committee in Geneva the preceding November.

At the meetings in Geneva, France and the United States had held common cause in urging Britain to return to the gold standard and it was the French delegates who saw themselves as providing a "nuance of moderation" in a "sort of duel between the United States and Great Britain".<sup>101</sup> The British kept their conditions for a return to a fixed standard of exchange relatively vague and preserved their freedom of action. The departure of the United States from the gold standard was certainly not unexpected and in the Washington talks with the Administration, British and American officials had no difficulty in establishing a common standpoint. The floating dollar seemed to remove one possible thorn from Anglo-American co-operation for the Conference and it moved France and the remaining nations on gold to the periphery of the arena for a few short weeks.

The Economic Advisory Council, reiterating the points made in a report drafted on this very possibility the preceding year, considered the impact of a floating dollar. Optimistic of the general effects of a devaluation of the dollar for American

<sup>99</sup> F.W. LEITH-ROSS, *Money Talks: Fifty Years of International Finance*, (London, 1968), pp. 160-161.

<sup>100</sup> P.R.O. Cab 29/142, Memorandum by Leith-Ross, 22 June 33.

<sup>101</sup> J. JACKSON, *The Politics of the Depression in France, 1932-6*, (Cambridge, 1985), p. 171.

economic recovery, it suggested the National Government should advocate a general *de facto* floatation of currencies on gold followed by a stabilization of the dollar-pound exchange rate.<sup>102</sup> The Treasury, on the other hand, decided that the Americans were not sufficiently organized to consider such a proposal and even if they were, Roosevelt would exact a price for participation. It was important that no concessions should be granted to the United States. The proposal was also dismissed because it was considered unlikely that France would abandon the gold standard voluntarily and, in any case, Britain was none too reluctant to cling to the economic advantage of a depreciated pound.<sup>103</sup> The British recognised that in time France would probably have to depreciate but rejected the possibility of exploring a co-ordinated currency devaluation in 1933.

At the World Economic and Monetary Conference, Britain found herself with one foot on either side of the crevasse as the French and American monetary strategies diverged. France was increasingly adamant that she would not participate in the Conference deliberations unless at least a temporary stabilisation agreement was made. The American Administration was increasingly unwilling to do so. Chamberlain was especially anxious to preserve the measure of agreement he had achieved in discussion with the French Minister of Finance, Georges Bonnet, in London that April. The talks seemed a continuum to the progress he felt he had made with the French at Lausanne.<sup>104</sup> Little disagreement was voiced on war debts, tariffs and public works and he reiterated the conditions necessary before Britain would return to gold. Chamberlain then stressed the desirability of central bank co-operation to alleviate the Depression,<sup>105</sup> and

<sup>102</sup> P.R.O. Cab 29/140, Memorandum by the Economic Advisory Council, No. 7, 12.6.33.

<sup>103</sup> DRUMMOND, *The Floating Pound*, p. 155.

<sup>104</sup> NC 18/1/820, Chamberlain to Hilda, 18 Mar. 33.

<sup>105</sup> P.R.O. T 188/63, W3292/5/50, Notes of meeting with Bonnet in the Treasury, 17 Mar. 33.

outlined what would have been one of Britain's main policies formulated for the full monetary debate had the Conference not collapsed so hastily: greater co-operation between central banks especially with regard to reserve ratios and credit structure.<sup>106</sup>

As on the question of war debts, a conflict existed between Chamberlain's anxiety to promote Anglo-French understanding, with Prime Ministerial and Foreign Office concern as to how these talks would be received in Washington.<sup>107</sup> It had little practical impact on policy. It was orthodox economic considerations which fuelled Britain and France's growing animosity to the United States' economic recovery policy in the summer of 1933. The Treasury believed that conditions for Britain's exports had been improved by sterling's floatation. But it also feared that too much downward pressure from sterling, compounded by the dollar depreciation, might provoke a round of speculative currency floatation by other currencies. This would be harmful to any hopes for international economic stability. According to Frederick Phillips, Permanent Under-Secretary to the Treasury, "currency depreciation is a game at which more than one can play - we may be forcing others to play".<sup>108</sup> Although other economists questioned the basis of Phillips' fears, the latter stressed that sterling policy must remain constant and internationally responsible by encouraging other nations to adhere to stable monetary exchanges.<sup>109</sup>

The stabilization crisis at the Conference came against a backdrop of mounting anxiety amongst gold bloc countries. The American delegation proved ineffective in explaining to the Brit-

<sup>106</sup> P.R.O. T 188/63, Joint memorandum by Board of Trade and Treasury, May 1933.

<sup>107</sup> P.R.O. FO 371/17304, W 267/5/50, Orme Sargent to Vansittart, 27 Feb. 33.

<sup>108</sup> P.R.O. T 188/48, Memorandum by Phillips, November 1932.

<sup>109</sup> For good example of a critical examination on the views of Phillips, see Ralph G. Hawtrey Private Papers, (Churchill College, Cambridge. Hereafter HTRY), HTRY 1/15, Memorandum by Hawtrey, 18 May 33; P.R.O. Cab 29/142, M.E. (UK), Minutes of meeting held 24 July 33.

ish what the United States' position on this issue actually was. Even Raymond Moley was at a loss.<sup>110</sup> In June 1933, British disquiet mounted as the dollar continued to depreciate. Concern was also voiced about the implications for British trade and the trading advantage which Britain had enjoyed since her departure from gold.<sup>111</sup> The Federation of British Industries urged that the government announce, as soon as possible, measures intended to safeguard British commercial interests. Dollar depreciation had fostered the "belief that it is a matter of time before depreciations will lead to the displacement of British exports in markets of the world".<sup>112</sup> The Board of Trade produced a memorandum which concluded that it was not serious so long as other countries were not forced off gold too. They concurred with the Economic Advisory Council's view that the initial impact of a depreciated dollar might "be helpful to world trade" by reviving prices and demand.<sup>113</sup>

Here too, Britain was determined to retain her independence. She resisted pressure to ally herself with either the gold bloc or with a sterling bloc in a declaration of currency policy.<sup>114</sup> Independence in monetary policy remained a cherished objective. A policy dictated by domestic economic politics, it was seen as symptomatic by the gold countries of Britain's inability to decide whether to favour the United States or Europe in her economic relations.<sup>115</sup> France and the United States left London exasperated.

<sup>110</sup> MOLEY, *After Seven Years*, p. 241.

<sup>111</sup> CAPIE, *Depression and Protectionism*, p. 36.

<sup>112</sup> P.R.O. Cab 29/142, Locoock to Colville, 7 July 33.

<sup>113</sup> P.R.O. Cab 29/142, Memorandum by Runciman, 12 July 33.

<sup>114</sup> P.R.O. Cab 29/142, Record of conversation between Hull and MacDonald, 12 June 33. For the failure of Dominion pressure see DRUMMOND, *The Floating Pound*, pp. 177-180.

<sup>115</sup> P.R.O. FO 371/17306, W6858/5/50, Tyrell to Simon, 10 June 33.

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Ramsay MacDonald had been keen to use the Conference in London as a means of promoting Britain's prestige abroad; instead the events in London had deflated it further. The discords struck at the World Economic Conference were to reverberate on into the following years. In monetary policy, it was to be another three years before France, the United States and Britain were ready to co-operate in the Tripartite Stabilization agreement. The formation and history of this agreement shows monetary co-operation was still tense, but the political will of the participants to work together had become stronger. In the economic field, Britain and the United States finally signed a long overdue reciprocal trade agreement in 1938 along the lines first mooted by Hull in Washington five years earlier.<sup>116</sup>

The failure of the Conference was the failure of British leadership, a leadership which other nations had looked to her to provide. Britain's tariff policies were rooted in the National Government's interpretation of domestic economic needs and so set them beyond discussion and possible reduction at the London Conference. British monetary policy was conceived on the same basis but appeared less nationalist at the Conference because of the radical swing in Roosevelt's financial policy.

The National Government had certainly not abandoned internationalism altogether. It had chosen the war debt question to take centre stage as an issue with broad domestic and European support. In so doing, the British government hoped it could avoid the likely tensions of conflicting trade relations be-

<sup>116</sup> DRUMMOND, *The Floating Pound*, pp. 181-200; I.M. DRUMMOND, "London, Washington, and the Management of the Franc", *Princeton Studies in International Finance*, No. 45, 1979; S.V.O. Clarke's "Exchange Rate Stabilization in the Mid-1930's: Negotiating the Tripartite Agreement", No. 41, *Princeton Studies in International Finance*, 1977; A.W. SCHATZ, "The Anglo-American Trade Agreement and Cordell Hull's Search for Peace, 1936-1938", *Journal of American History*, No. 57, 1970-71, pp. 83-103.

tween Britain and three important groups: Europe, the Dominions and the United States. But both Hoover and Roosevelt were unable to grant Britain the desired concessions on war debts. The ability of the United States to ease debts was hindered, partly by Congressional opposition, and partly by Britain's apparent unwillingness to co-operate on economic issues, notably trade policy.

Certainly, the diplomatic and economic backdrop to diplomacy in 1933 was not conducive to coherent policy making. Not only had the United States adopted a radical, national recovery strategy, but governments in Europe, notably in Germany and France, had continued to fall. Typical of this complex policy environment was Vansittart's response to Treasury's proposals to encourage Conference to make credit more freely available to countries in need. This suggestion fell foul of the Foreign Office line which urged that Britain should discourage any policy likely to support Germany's new National Socialist government. Perhaps Britain's economic nationalism at the Conference is understandable given the severity of the Depression, but it is surely less so given the menacing diplomatic climate. The German government drew great comfort from the obvious discord in Anglo-American relations. The Lord Major of Hamburg, von Krogmann, told Hitler that Britain appeared to be aligning herself far more closely with her Empire, and that Germany should rather engage herself with the United States who "are apparently looking about for friends".<sup>117</sup> Germany's Foreign Ministry and Cabinet were delighted that the acrimonious collapse of the World Economic Conference was "not our fault". Developments in London had been to Germany's advantage. All they now needed to do was "wait to heap the odium

<sup>117</sup> *Documents on German Foreign Policy*, London, 1966-, Series C, 1933, No. 386, Krogmann to Hitler, (copy to von Neurath), 1 Aug. 33.

for the failure onto others, while enduring that Germany reaped the benefits".<sup>118</sup> An ominous pattern for economic and diplomatic relations in the 1930s had been set.

<sup>118</sup> P.R.O. GFM 33:1231, 3177/D 684405, Neurath to Krogmann, 9 Aug. 33; Records of the Minutes of the Reichskanzlei, Bundesarchiv, Koblenz, (Hereafter R 43II), B.A. R 43II/365a. Lorenz to Lammers, 17 June 33.

