BRITAIN AND THE SUPREME ECONOMIC COUNCIL 1919

DISSERTATION

Presented to the Graduate Council of the North Texas State University in Partial Fulfillment of the Requirements

For the Degree of

DOCTOR OF PHILOSOPHY

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Denton, Texas
December, 1987

This dissertation attempts to determine what Britain expected from participation in the Supreme Economic Council (SEC) of the 1919 Paris Peace Conference and to what extent its expectations were realized. An investigation of available sources reveals that access to European markets and raw materials and a balance of power to prevent French, German, or Russian hegemony in Europe were British foreign policy goals that SEC delegates sought to advance.

Primary sources for this study include unpublished British Foreign Office and Cabinet records, published British, United States, and German government documents, unpublished personal papers of people directing SEC efforts, such as David Lloyd George, Austen Chamberlain, Cecil Harmsworth, Harry Osborne Mance, and John Maynard Keynes, and published memoirs and accounts of persons who were directly or indirectly involved with the SEC. Secondary accounts include biographies and histories or studies of the Peace Conference and of countries affected by its work.

Primarily concerned with the first half of 1919, this dissertation focuses on British participation in Inter-allied war-time economic efforts, in post-war
Rhineland control, in the creation of the SEC, and in the SEC endeavors of revictualing Germany, providing food and medical relief for eastern Europe, and reconstructing European communications. It concludes with Britain's role in the attempt to convert the SEC into an International Economic Council in the last half of 1919 and with the transfer of SEC duties to the Reparations Commission and to the League of Nations.

Through participation in the SEC, Britain led in negotiating the Brussels Agreement and in establishing the Rhineland Commission and the German Economic Commission, reversing French attempts to control the Rhenish economy, preventing French hegemony in Europe, and gaining access to German markets for British goods. Although it failed to achieve its goals of strong eastern European states and access to markets and raw materials there, Britain led in restoration of communications and participated in the relief effort which saved the new states from anarchy in 1919.
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CHAPTER I

INTRODUCTION

The armistices of November 1918 brought an end to the Great War that had ravaged Europe for more than four years. As the guns grew quiet, there emerged the reality of an economically destitute continent. The collapse of old empires brought an end to an economic structure which, though far from perfect, had been dependable for generations. Destruction of communications, farm land, and industrial resources, currency problems, unemployment, disease, hunger, and political unrest combined to create a condition described by United States Food Administrator Herbert Hoover as economic anarchy.1 The landlocked countries of central and eastern Europe suffered most, but even the more economically advanced nations of western Europe had grave problems. Since the beginning of the Industrial Revolution, the economic interdependence of nations had grown steadily. Now, at the end of the war, the leading industrialized nations with their need for markets

and raw materials, though less obviously devastated than agrarian eastern Europe, were deeply affected.

With the international division of labor that came about as a result of the development of steam power, Great Britain had become, along with some other European powers, a manufacturer, a merchant, a banker, a carrier, and a competitor for new markets and raw materials. In filling these roles, Britain was in the center of a global economic system, importing food and raw materials, exporting coal and manufactured goods, financing overseas developments, and providing services such as shipping, insurance, and banking.

Although an economic leader, Britain, like some other nations in 1914, was a virtual hostage to international trade. With the impossibility of gaining adequate food and raw materials domestically, it was required to import more than it could export. The difference in the unfavorable balance of trade was made up in shipping and banking profits, interest on foreign investments, and pensions and portions of salaries paid by "subject races" for British administrators and soldiers. Because of their Empire, the English people had a high standard of

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living, and many Englishmen assumed that the Empire had been founded for the good of British trade.\(^\text{5}\) Two decades before the war, weaknesses were apparent in this Empire, dominant among which were nationalist movements from within and challenges to British naval supremacy from without, primarily from Germany.\(^\text{6}\)

The destruction of the German Navy following the war left Britain with unquestioned supremacy on the seas, a status to which she was absolutely committed.\(^\text{7}\) Since the reign of Elizabeth I, one of the basic principles of the Empire had been naval supremacy.\(^\text{8}\) In the 1805 Battle of Trafalgar, Britain had won the dominance on the sea necessary to be a leader in extra-European exploitation.\(^\text{9}\) By 1908, however, the German Navy had become a serious threat to this English dominance.\(^\text{10}\) Although the United States and Japan were emerging as new rivals and eventually took over part of the world's carrying trade once controlled

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\(^6\) Kennedy, *Strategy and Diplomacy*, 203.


\(^8\) General Staff to Prime Minister, 30 August 1916, Austen Chamberlain Papers, University of Birmingham, Birmingham, England, AC 20/9/5.


by Britain, the war eliminated Germany, at least temporarily, as a naval and trade competitor.\(^\text{11}\)

Within the Empire, in the first decade of the twentieth century, Australia, New Zealand, and South Africa joined Canada as self-governing dominions, and, as the dominions controlled more of their own administrative duties and economic ventures, Great Britain no longer received substantial economic returns from them.\(^\text{12}\) In 1904, Austen Chamberlain, Chancellor of the Exchequer, reluctantly admitted that the financial resources of the United Kingdom were inadequate for imperial defense. In fact, some government officials conceded that the Empire had been over-extended since the 1890s. By 1905, as Edward Grey became Foreign Secretary, British foreign policy was entering a cautious period, undergoing a change that emphasized free trade and attention to the rights of colonial subjects and moved away from further extensions of the Empire. In addition, policy was focusing away from the Empire and toward Europe for markets and raw materials.\(^\text{13}\) To some analysts, the secret treaties during the war, such as the Sykes-Picot, show that the interest in acquiring

\(^{11}\)Gibbons, *World Politics*, 511.

\(^{12}\)Ibid., 497.

\(^{13}\)Lowe and Dockrill, *Mirage of Power*, 1:1, 10, 15-17.
additional territory was diminishing and reveal a defensive foreign policy. Although submarine warfare caused Britons to seek German colonies for British rather than German use as submarine bases, there was not, by 1919, the zeal for new colonial acquisitions Britain had once known.¹⁴ Dominions, for their part, were becoming increasingly independent. They had fought in the war mainly because German trade and the German Navy were a threat to them nationally as well as to England. When the war ended, they wanted a part in the peace negotiations. By 1919, these states were lost to British rule except for sentiment and, refusing to accept the old concept that the extra-European world existed for the benefit of Europe, they advanced national interests before the goals of the Empire.

Thus, although the British Empire survived the economic disorganization of the war, it did not survive unchanged.¹⁵ Britain's foreign policy had been shaped in the past on opportunities to gain markets and raw materials in the areas of colonization beyond Europe.¹⁶ In 1919, that policy was still basically pragmatic, conciliatory, and


¹⁵Gibbons, World Politics, 494, 497, 500.

¹⁶Ibid., 7-8.
reasonable, but it allowed for little, if any, extension of the Empire. A more significant development in Britain's economic interests, and thus her foreign policy, lay in restoration of order and prosperity in eastern and central Europe.

From the early months of the Peace Conference, relief and reconstruction for eastern and central European states was the assignment of a newly organized body known as the Supreme Economic Council (SEC). Great Britain, along with the United States, France, and Italy, participated in its inception, organization, and work. The SEC had a brief and active life of only one year. The first six months of 1919 was a period of emphasis on eastern and central Europe and its needs as well as on the opportunities which involvement in this region afforded the Allied nations. It is the purpose of this writer to explore the expectations and goals involved in Great Britain's participation in the relief and reconstruction efforts of the SEC in eastern and central Europe. What did it hope to accomplish and why? To what extent, if at all, did it achieve its goals?

An investigation of the secondary literature covering the period of the Peace Conference of Paris reveals a lack

17 Kennedy, Strategy and Diplomacy, 19.
18 Lowe and Dockrill, Mirage of Power, 2:378.
of coverage of SEC activities and their significance to any of the countries involved. For instance, Arno Mayer, in *Politics and Diplomacy of Peacemaking, 1918-1919*, mentions this body only occasionally and offers no full description of its functions or contributions. Yet, the primary sources are rich with information on this subject.

As representatives of Britain met with those of other Allied and Associated nations in Paris soon after initiation of the armistices, the common hope, whatever desires for national aggrandizement they may have held, was to establish and maintain peace in the world. In a speech to Parliament, Prime Minister David Lloyd George, leader of the British Peace Delegation, expressed his desire for a settlement that would avoid sowing seeds of a fresh struggle which might grow when those who had experienced the war had passed away.¹⁹ Throughout the spring of 1919, world leaders worked to set national boundaries, provide guidelines for reparations, punish aggressors, and guarantee a world environment conducive to economic development.

Along with their ideas for accomplishing these goals, the Allies and new nations of Europe held strong national aims, among which were the French attempt to control the Rhine as a frontier, the British attempt to dominate the

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seas and to secure colonies for the dominions, the Italian attempt to control the Adriatic and western Balkans, and the Japanese demand for Shantung and control of Pacific Islands. New nations, many created from the old Austria-Hungary Empire, were intensely devoted to the establishment of all aspects of national sovereignty.\textsuperscript{20} Belgium, an older small nation and one of the Allies, sought economic and political independence even while maintaining identification with France, a stronger neighbor.\textsuperscript{21} The United States, an associated power, hoped for profitable and peaceful trade.\textsuperscript{22}

The work of the Peace Conference often demonstrated selfishness, sometimes enlightened and sometimes camouflaged, as each country looked for the maximum in self-protection and self-aggrandizement and the minimum in release of advantages.\textsuperscript{23} Yet, Peace Conference leaders could build on the high level of international unity and cooperation eventually developed by ranking representatives


\textsuperscript{22}M.R.D. Foot, \textit{British Foreign Policy Since 1898} (London: Hutchinson's University Library, 1956), 72, 86.

of Great Britain, the United States, France, Italy, and Japan during the Great War through the Supreme War Council's direction of military activity. After the armistice, the Council of Ten, the Supreme War Council in a new form, led the Allied effort for a peace settlement. In March, representatives Georges Clemenceau of France, David Lloyd George of Great Britain, Woodrow Wilson of the United States, and Vittorio Orlando of Italy began meeting alone as the Council of Four and this became the highest executive power at the Peace Conference. Edward House, aide to Wilson, and the foreign ministers who had worked with these men as part of the Council of Ten became the Council of Foreign Ministers and they met separately.

Prior to coming to Paris, President Woodrow Wilson displayed an admirable spirit and captured world-wide attention with his Fourteen Points and his support for the idea of a League of Nations. Yet, in the early meetings of the Peace Conference, he failed to frame the application of his ideas to the real Europe. To "set right" European countries, Wilson placed his hope in the League of Nations, based on a new principle of world organization and

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24 Memorandum on League of Nations, M.P.A. Hankey to Lloyd George, 12 May 1920, Lloyd George Papers, F/24/2/32.

cooperation, which would bring a reign of truth and justice to the world.26

Premier Georges Clemenceau maintained, as a principle of peace, the necessity of Germany's intimidation and the hopelessness of negotiations with that country. He put little confidence in the formation of a League of Nations or the idea of self-determination unless the result could be France's dominance over Germany in the European balance of power. From 1870 to 1914, Clemenceau had observed Germany as she grew in population, wealth, technical skill, and trade. Then came the war and although France, with the help of the United States and Great Britain, was the winner, Clemenceau saw the French position as precarious. He believed the day would come when, backed by superior resources and technical skill, Germany would once again hurl her greater numbers at her close neighbor France.27 Suspicious of Bolshevism as well, he adamantly opposed Russian representation at the Peace Conference.28

Balancing the distasteful alternatives in his mind, he ended by advocating the crushing of Bolshevism with military power


27 Ibid., 21, 25.

rather than through strengthening Germany as a bulwark against that force.  

Premier Vittorio Orlando, the least influential man on the Council of Four, had survived as a part of the Italian government while a series of premiers resigned in 1916 and was at last entrusted with the formation of a government that continued into June of 1919. His inability to speak English was a handicap at the Peace Conference since most informal discussions were conducted in that language to accommodate Wilson and Lloyd George. His foreign minister, Baron Sonnino spoke English without an accent and often aided him. Italy's main concern was the fate of the Austro-Hungarian Empire, while Britain and France gave more attention to Germany. Orlando was an advocate of the old diplomacy, placing reliance on a balance of power favorable to Italy. 

Prime Minister David Lloyd George came to the Peace Conference with an added sense of security since the German High Seas Fleet, interned in Britain's Scapa Flow, no longer challenged Britain's superiority at sea. He had a 

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reputation for keen perception of the thoughts of other people. The dominant personality of the British Peace Delegation, he ignored the Foreign Office at times and ignored as well the talents of able men like Foreign Minister Arthur Balfour. A brilliant debater, Lloyd George saw consistency as the mark of a small mind. While Wilson was clearly for the new diplomacy and Clemenceau and Orlando clearly for the old, Lloyd George was for the system that would give Britain the greatest benefit and bring him the most votes. Through Peace Conference negotiations, the territorial influence of the British Empire grew with mandates in Mesopotamia, Palestine, and German colonies. In the recent British elections, Lloyd George had promised to try the Kaiser, punish perpetrators of atrocities, and gain full war indemnities from Germany. He did not attain all that he promised and some participants expressed disappointment in his actions. Treasury official John Maynard Keynes, for

32Foot, British Foreign Policy, 73, 86.
33Lowe and Dockrill, Mirage of Power, 2:335-336
34Foot, British Foreign Policy, 157-158
36Herbert Adams Gibbons, Europe Since 1918 (New York: Century Co., 1923), 32.
instance, believed that he sowed many seeds of disaster in Paris. By contrast, Winston Churchill, Secretary of State for War and Aviation, commended Lloyd George for securing the special interests of Britain at the Peace Conference. While not always in agreement with Lloyd George's decisions, Churchill maintained in later years that the Prime Minister never lost his sense of perspective at the Peace Conference and that he had opposed producing a treaty so severe as to cause an immediate revolt of German public opinion.

The Council's work was clearly political and diplomatic in the first months of the Conference with economic problems receiving little attention. Most Allied authorities expected the armistice to last only a few weeks and to be primarily the concern of military personnel. Unanticipated

37"Maynard Keynes for King's and Country," by Roy Jenkins from Times Saturday Review, 18 March 1972, John Maynard Keynes Papers, King's College, Cambridge. (Beginning in 1985 and continuing for at least two years, the Keynes Papers, are being reorganized and, therefore, any references to box numbers would be inappropriate.)


economic problems arose, however, calling for Allied cooperation.41

Closely related to the old and new diplomacy, expressed in discussions at Paris, was an old and new economic philosophy. Advocates of the old philosophy held the objectives of national economic individualism. Each state must compete economically with every other state and maintain independence and self sufficiency while paying little regard for the well being of other states and certainly with no effort at developing a comprehensive international economic policy. By contrast, those who adhered to the new philosophy emphasized international economic cooperation which they maintained would bring a higher level of peace and prosperity to all.42

The French, aiming for political security, followed the lines of the old philosophy of national individualism combined with the principles of the 1916 Paris Economic Council (to be discussed in the next chapter). Their leaders maintained that the French economic position must be stronger than that of Germany. In normal peace-time, France's consumption and production represented a near balance. Except for a few products such as petroleum, there


was little dependence on foreign goods or markets. A whole European economic organism did not greatly concern France, since her principal foreign economic interest lay in French investments. At the Peace Conference, France's greatest economic concern was reparations. Germany must pay for the destruction she had caused in France, and any economic alliance should exist to support France against Germany. Unhindered by a strong liberal political group, French delegates could present a united conservative front in the matter of economics.\textsuperscript{43}

Italy, unlike France, depended on imports for raw materials to maintain growing industries and an expanding population. Bolshevism appeared to be a threat because of the great strength of the Italian socialist movement. When, in April, other Italian delegates withdrew over the question of control of the port city of Fiume, Italy left Italian economic experts in Paris, seeing much to gain from international economic cooperation.\textsuperscript{44}

Although largely dependent on foreign commerce and peaceful international relationships, Japan favored traditional diplomatic and political methods over cooperative projects. Japan's economic stance was one of aloofness to the temporary disorganization of Europe and to

\textsuperscript{43}\textit{Ibid.}, 2:293-295.

\textsuperscript{44}\textit{Ibid.}, 2:302-303.
world economic reorganization. At the Peace Conference, Japan supported pure economic individualism.45

Narrow nationalistic objectives dominated the economic policies of the small and new states at the Conference. They sought to protect their fragile national existences through customs and transit barriers. Each tried to get all possible economic resources and facilities within its newly defined borders while gaining from humanitarian endeavors.46

The chief economic concern of the United States at Paris was to destroy obstacles to international trade rather than to develop new cooperative relationships.47 While advocating world political cooperation, the United States was hesitant to participate in plans for permanent economic reorganization. Immediate and practical restorative help was the dominant aim of American delegates. Maintaining little interest in reparations, the United States held the Allies to the obligation of war debt repayment while controlling much of the world's economic power.48

46Ibid., 2:309,312.
The British delegation at Paris contained a coalition of economic advisers representing diversity of British opinion. Conservatives such as Walter Cunliffe, recent governor of the Bank of England, favored the old approach to economic competition and saw the crushing of Germany as gaining ascendance over an economic rival. Supported by such British newspapers as The Morning Post, they advocated gaining advantages immediately through the treaty. Liberals such as Lord Robert Cecil, an Assistant Foreign Secretary, and John Maynard Keynes, a Treasury official, saw the basis for Great Britain's economic recovery in the rehabilitation of Europe, including Germany. Along with publications like The Manchester Guardian, they advocated a "let-live" policy combined with new cooperative international agreements, and they maintained that British economic power was dependent on European economic prosperity. How best to capitalize on gains in trade leadership from the war as well as future gains from the Peace Conference was the concern of British conservatives and liberals alike as the year 1919 began. It is the purpose of this writer to examine the role of the SEC in this British effort to establish trade leadership by means of access to the markets and raw materials of eastern and central Europe and by support for strong new states to

contribute to a balance of power which would prevent French, German, or Russian hegemony on the continent.

The complete SEC minutes constitute one of the major sources of this work, along with the minutes of the Council of Four and other documents which are published in the Papers Relating to the Foreign Relations of the United States. At the Herbert Hoover Institute in Palo Alto, California are the minutes of the SEC sections and the papers of Herbert Hoover; George Barr Baker, a post-war United States journalist working in central and eastern Europe; and Hugh Gibson, aide to Woodrow Wilson. The published work of H.W.V. Temperley, A History of the Peace Conference at Paris, and that of Ray Stannard Baker, Woodrow Wilson and World Settlement, offer different viewpoints of the SEC's work. The sections in Temperley's work discuss the events as they happened and Baker, despite some serious shortcomings, emphasizes the political impact and lasting significance of the work of the SEC.

Biographies, memoirs, and other published monographs of the participants provided almost no information about the SEC and very little information about economics at the Peace Conference. Two exceptions are J. A. Salter's Allied Shipping Control, which contains valuable information about the Maritime Transport Council and other aspects of Allied war-time economic control and The Diary of David Hunter.
Miller, the chief legal expert of the American Delegation. Austen Chamberlain's *Down the Years* and Robert Cecil's *A Great Experiment* deal more with later ventures in their lives. Books by or about Lloyd George, Wilson, Clemenceau, and French Field Marshal Ferdinand Foch are equally unrevealing concerning the SEC as well as other economic matters of the Peace Conference. One wonders if Wilson expressed a general view when he commented during his first voyage to the Peace Conference that he was "not much interested in the economic questions."

In England, a number of collections of unpublished papers provide indispensible information: Prime Minister David Lloyd George's at the House of Lords Record Office; Chancellor of the Exchequer Austen Chamberlain's at the University of Birmingham; Foreign Minister Arthur Balfour's and SEC Chairman Robert Cecil's at the British Library; Cecil Harmsworth's at the Public Record Office; General Harry O. Nance's at the Mid-East Center of St. Antony's College, Oxford; Treasury official John Maynard Keynes's at King's College, Cambridge; and the Foreign Office records and the Cabinet records at the Public Record Office. A large portion of Keynes's papers are at present under the exclusive control of editors working on a revision of his writings to be published in about two years. Many of his

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50 ibid., 2:281.
papers which are pertinent to this investigation, however, have been published and are available in the multi-volume work, *The Collected Writings of John Maynard Keynes*.

The most useful of the sources were the SEC minutes, the unpublished papers of David Lloyd George and Austen Chamberlain, the published as well as unpublished works of John Maynard Keynes and the records found in the Foreign Office groups at the Public Record Office. The most disappointing were those of Harry O. Mance, whose work on the Communications Section was among the most impressive of British SEC endeavors. There was very little in his papers to indicate that he was even a part of the SEC. Papers of other British SEC participants appear to be in the hands of family members. Efforts to gain access to these documents elicited the information that the papers are either inaccessible or are no longer in existence.

The sources available suggest that, as the war ended, Britain was striving to maintain her position in world commerce. One of her primary goals was, as in centuries past, to maintain naval supremacy, the foundation of her national existence.51 Although the United States gave assurances to the contrary, many in the British Government

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51Walter H. Long to Lloyd George, 16 February 1919, Chamberlain Papers, AC 25/2/1.
feared that serious competition was coming from the American naval build-up. The German Navy was out of the competition for the time being, and the German nation, Britain’s chief European pre-war economic rival, was temporarily ruined. In addition, development of British industry in the war effort had raised British production to a more equal competition with even a recovered Germany. Unfortunately, however, some of Britain’s best customers had also been crushed. Her economic interests called for a foreign policy which would emphasize good relations with European countries, including Germany, and for restoration of order and prosperity to Europe, primarily eastern and central Europe. Markets and raw materials, once largely provided by the Empire and essential to her commercial well-being, were to be found in this region. As Lloyd George declared, in a speech to the House of Commons on

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52 Theodore Roosevelt to Murray Clark, 15 December 1918, Balfour Papers, Add. Mss. 49749; Cecil to House, 8 April 1919, Lloyd George Papers, F/6/6/33.


54 Memorandum on Exports from Enemy Countries, Board of Trade to Imperial War Conference, 15 March 1917, Chamberlain Papers, AC 20/9/20.

55 Ward and Gooch, British Foreign Policy, p. 538.

56 Lowe and Dockrill, Mirage of Power, 2:279, 378.
April 3, 1922, England was a country with great dependence on international trade.\textsuperscript{57} The SEC afforded one opportunity for Britain to sustain her role in global economics by insuring her influence in Germany and in the newly carved states of Europe.

\textsuperscript{57}Ibid., 2:279.
CHAPTER II

ALLIED ECONOMIC ORGANIZATION, THE WAR, AND THE ARMISTICE

Throughout the war, the Allies had demonstrated, in addition to united military action, substantial economic cooperation against the Central Empires.¹ From the outset, France and Britain blocked trade into Germany and Austria with France guarding the southern sea routes and Britain overseeing the Channel, the North Sea, and the Atlantic Ocean. Through diplomatic and commercial measures the Allies gained the cooperation of the neutral countries, Holland, Sweden, Denmark, Norway, Switzerland, and for the time it was neutral, Italy, in controlling Germany's imports.² Cable censorship was also a part of the blockade.³ The Central Powers received no overseas imports except occasional cargoes when ships successfully


³Memorandum from Lord Derby to House on Cable Censorship, 8 January 1919, FO 374/132, Public Record Office, London.
evaded the blockade; they also received some goods through contiguous neutrals. Allied powers, by contrast, could obtain access to the markets of the world if they could obtain sufficient money and ships. Although weakened by the 1917 collapse of Russia, the Allied blockade of the Central Empires was effective throughout the war.

As the war progressed, an economic organization, which was more directed toward Allied needs than directed against the enemy, developed gradually to feed and supply the armies and civilian populations of the Allies. In response to specific problems, and through the use of a national system devised to meet war-time needs, Britain assumed a position of economic leadership as the Allies sought to avoid inflationary prices for necessities, to allocate scarce commodities, and to make the best use of available tonnage.

With the onset of war, Britain had begun to develop a system of government control over civilian imports. On August 20, 1914, the British Government appointed a Commission on Sugar Supplies for the purchase, sale, and

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5 HPCP, 1:49.

6 HPCP, 1:288-289.

7 Salter, Allied Shipping Control, xv.
control of sugar. Control of wheat followed through the Royal Commission on Wheat Supplies. By late 1915, the Government had extended its control of national civilian imports, becoming, in effect, the single customer and consumer and the most important competitor for transport.

In 1916, the Government established the Ministries of Food, Shipping, and Munitions. Based on deliberate surveys to determine needed quantities of sugar, wheat, timber, and other commodities, these new bodies along with the War Office and the Board of Trade determined how much to import and how to allocate it. The most important factor for consideration was available tonnage. By 1917, Government control, growing step by step and compelled by circumstances of war, included all ships and almost all supplies. The government, in that same year, assumed responsibility for distribution.

As early as August 1914, the Allies sought to avoid competition in their buying from British manufacturers, establishing in London the Commission Internationale de Ravitaillement (the C.I.R.). Under British management and dependent on British loans for many purchases, the C.I.R.

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8Ibid., 90-91.
9Ibid., 29-33, 76, 101.
10Ibid., 59, 62.
11Ibid., 92.
limited price increases and provided a system for sharing information.\textsuperscript{12} The Royal Commission on Sugar Supplies and other British Departments began as early as 1916 to coordinate buying for all Allies.\textsuperscript{13}

In addition, from the first days of the war, Great Britain granted tonnage assistance to other Allies through improvised procedures which gradually became systematized. On November 3, 1917, the Allies made a formal agreement concerning pooling of tonnage, one condition of which was that the ally requesting tonnage must use it in services approved by the ally granting it. With ownership of the majority of the world's tonnage, Britain thus gained the theoretical right to control much of Allied supplies.\textsuperscript{14}

Although Britain maintained control, other Allies assumed increasing responsibilities as new committees came into existence. Among these were the Inter-allied Council on Finance and War Purchases, the Inter-allied Oilseeds Executive, and executives and committees for the purchase and allocation of petroleum, wool, and other commodities. In August 1918, the food executives came under the control of a newly created Inter-allied Food Council meeting in

\textsuperscript{12} Ibid., 134-136, 159.

\textsuperscript{13} HPCP, 1:288-289.

\textsuperscript{14} Salter, \textit{Allied Shipping Control}, 134-136, 159.
London. An Inter-allied Munitions Council coordinated the work of the various bodies which were purchasing and distributing munitions products. This cooperative activity grew in piece-meal fashion with no clearly defined Inter-allied structure.\textsuperscript{15} Programme Committees, established to set import limits for all of the Allies, slowly became functional.\textsuperscript{16} Gradually, however, the Allies increased control of the purchase, transport, pricing, and consumption of life's necessities.\textsuperscript{17}

According to J. A. Salter, British Director of Ship Requisitioning, the Allies achieved this control through "persuasion and consent."\textsuperscript{18} Another view was that the control was a result of the British attitude of "carping harassment" and the fact that Allies possessed the coal required by some neutrals. Hoover maintained that neutrals hated the Allies almost as much as the Germans.\textsuperscript{19}

In June 1916, the Allies held an Economic Conference in Paris. Fearing the ambition of the Central Empires for world economic domination and suspecting German stockpiling

\textsuperscript{15}HPCP, 1:288-289.

\textsuperscript{16}Salter, Allied Shipping Control, 183.

\textsuperscript{17}Ibid., 22.

\textsuperscript{18}Ibid., 187.

of resources in anticipation of a long war, the Allies formed an economic alliance to extend throughout the war and post-war reconstruction and to lay the foundation for permanent peace-time cooperation against the enemy. The Allies agreed, for the duration of the war, to prohibit trade between themselves and enemy countries or their subjects and to sequester enemy-owned businesses and their proceeds when operated in Allied territories.

For the immediate post-war period, the Allies pledged cooperative reconstruction in countries which suffered from the destruction of war. Plans of a more permanent nature included the negation of all commercial treaties between the Allies and enemy countries and agreement to grant no most-favored-trade status to enemy countries for an unspecified number of years. While promising interchange of resources among themselves, they aimed for reduction of the long term economic self-sufficiency and military capacity of the Central Empires. Mutual assistance to assure financial, commercial, and maritime independence from enemy countries and improved transport and other communication services for facilitation of Inter-allied trade relations were to begin during the war and continue indefinitely. These were the resolutions the Allies agreed to when they met in Paris in June of 1916.20

The British Government approved the resolutions of this Conference, taking the position that the period of post-war reconstruction should last at least twelve months, with an extension if necessary. They favored a policy of licensing in special circumstances, to be determined by the Allies, to gradually mitigate Allied control.\textsuperscript{21} By April 1917, however, the conclusions of the Paris conference were, to the British, becoming impractical. There were at least three reasons for their changed position. The United States, having had no representation in the 1916 Economic Conference, had entered the war. This fact, according to England's Reconstruction Committee weakened the effectiveness of the resolutions. Further, the changed military situation reduced the likelihood of German economic control over eastern Europe, and Germany no longer appeared to have the surplus stocks of food and raw materials the Allies thought she had in 1916. Britain, in the spring of 1917, emphasized Allied cooperation to meet post-war needs.\textsuperscript{22} The Government had plans for securing all


\textsuperscript{22}Report on Post-War Commercial Policy, Reconstruction Committee to War Cabinet, Confidential, 11 April, 1917, Chamberlain Papers, AC 20/9/35.
requirements of the Empire and the Allies, with any surplus to go to neutral countries. They maintained that the resolutions of the 1916 Conference were not a stable basis for peace negotiations.

Following the United States' entry into the war, finance ceased to be a major consideration while available tonnage continued to be the basis of most decisions. The Allied Maritime Transport Council (AMTC), formed on March 11, 1918, at Lancaster House in London, was an outgrowth of the conference in November 1917. The purpose of the AMTC was to coordinate the work of national departments directing their respective mercantile marines. J. A. Salter, British Director of Ship Requisitioning, was chairman, with representatives from France, Italy, and the United States. Programme Committees, each dealing with a particular commodity or group of commodities, based their requests to this council on production and on requirements of individual Allied

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23 Memorandum on Post-War Export Control, Board of Trade to Imperial War Conference, 15 March 1917, Chamberlain Papers, AC 20/9/25a.


25 Salter, Allied Shipping Control, 79.

26 Ibid., 154, 162.

27 Ibid., xiii.
nations. The Council became the center of Allied import organization, and, to an extent, set policy by accepting, rejecting, or sending back for revision any request to employ available tonnage.28

Within this Inter-allied structure, British efforts to attend to their national interests are evident and, in fact, logical. In 1914, of the world's ocean-going vessels, Britain owned approximately four thousand while France, Italy, Belgium, and Portugal together owned about one thousand.29 In addition to British chairmanship of the Transport Council, the headquarters of Allied shipping control throughout the war was in London.

To review the Transport Council decisions in the light of Empire requirements, Britain had a Tonnage Priority Committee with representatives from Programme Committees, the Ministry of Food, the Board of Trade, the War Office, the Colonial Office, the India Office, and the Admiralty.30 The shortage of tonnage caused reductions to supply programmes that were better understood with this committee serving as a liaison between the Programme

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29 Salter, Allied Shipping Control, 9.

30 Memorandum on Allied Import Organization from Ministry of Shipping, 26 August 1918, Cecil Papers, Add. Mss. 51094.
Committees and the various British departments affected. The effectiveness of the Tonnage Committee was minimal, however, because its representatives, without ministerial status, lacked authority to make decisions concerning reductions or other requirements resulting from reduced tonnage.\textsuperscript{31}

As the war progressed, international economic cooperation had become stronger and better organized.\textsuperscript{32} That evolution toward better organization ceased when the armistice brought an optimistic spirit to the winning nations and fanned their desire to end economic regulation.\textsuperscript{33} British observers of the November 1918 election results in the United States perceived a reluctance to support any form of state controls.\textsuperscript{34} Canadian Prime Minister R. L. Borden was among those in the British Empire who viewed war-time councils and commissions as deterrents to English trade.\textsuperscript{35}

\textsuperscript{31}Salter, \textit{Allied Shipping Control}, 75.


\textsuperscript{33}HPCP, 2:321,325.

\textsuperscript{34}Memorandum (unsigned), 14 November 1918, Cecil Papers, Add. Nss. 51094.

\textsuperscript{35}R. L. Borden (Prime Minister of Canada) to Lloyd George, 17 February 1919, David Lloyd George Papers, House of Lords Record Office, London, F/5/3/11.
British thought, however, was not unanimous concerning removal of war-time restrictions, and attitudes toward the blockade, which the November Armistice left in place, demonstrated this point. Many Britons maintained that immediate reduction in the severity of the blockade and its early elimination were desirable. Yet, in early 1919, British leaders complained that with United States War Trade board Director Vance McCormick as Chairman, the new Allied Superior Blockade Council might make changes which would reduce or eliminate blockade machinery too quickly.

To guard against this possibility, Lloyd George strengthened British blockade representation by informing McCormick that British delegate Cecil Harmsworth, Secretary of State for the Colonies and younger brother of Lord Northcliffe, had full powers from the British Government to make decisions in all blockade matters. Northcliffe, a newspaper magnate, was moving to challenge Lloyd George's leadership and had wanted to be a part of the British


37 BEEC Minutes, 14 March 1919, FO 608/75, PRO.

38 S. Waterlow to G. Grahame. Urgent. 5 February 1919, FO 362/2369, PRO.

39 Vance McCormick to Cecil Harmsworth, 1 February 1919, FO 800/250, PRO.
delegation to the Peace Conference, representing the Tories. He suspected that Lloyd George gave his younger brother a place there to placate him; in fact, Lloyd George was mindful that he represented a coalition government of different parties, and he did discuss with Harmsworth Northcliffe's unfriendly attitude. Whatever Lloyd George's reasons for taking Harmsworth to the Peace Conference, Harmsworth aimed at keeping the blockade machinery intact against the formidable influences of American opinion, the British trade community, and the British Treasury.

Government departments took different positions as the Food Ministry, Foreign Office, Admiralty, War Office, and Restriction of Enemy Supplies Department advocated blockade maintenance and the Treasury, Board of Trade, War Trade Department, and Department of Overseas Trade called for blockade reduction. Harmsworth said the Board of Trade recommendations for reductions were drastic.

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42 Harmsworth to Cecil, 7 February 1919, FO 800/250, PRO.

43 Memorandum on Blockade Continuance, 20 January 1919, Lloyd George Papers, F/12/1/4.

44 Harmsworth to Balfour, 18 January 1919, Lloyd George Papers, F/12/1/3.
the same time, the Food Ministry complained of Allied disregard for the blockade and cited American shipping of fifteen thousand tons of pork to Switzerland. Blockade removal, Food Ministry officials maintained, would make it impossible to provide sufficient food for the British public at the low prices maintained during the war. War-time agreements with other Allies and with neutral countries concerning the blockade had given Government authorities enough control to keep these prices down. With removal of restrictions, the demands of Europe might create a shortage and a rise in prices.

The Cabinet, particularly Curzon, wanted to continue cable censorship. Robert Cecil maintained that censorship was strangling private enterprise by keeping buyers and sellers apart. Some Britons advocated the use of censorship to monitor German trade during the armistice period. Added to concerns involving trade and domestic consumption was the political consideration, not solely

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45Harmsworth to Reading, 28 January 1919, FO 382/2369, PRO.

46BEEC Minutes, 7 March 1919, FO 608/75, PRO.


48Cecil to Lloyd George, 15 May 1919, Lloyd George Papers, F/0/6/40.

49BEEC Minutes, 4 April 1919, FO 608/75, PRO.
British, that the blockade could serve as an incentive for German acceptance of the Treaty.\textsuperscript{50}

Especially in the United States and Great Britain, however, there was an impatience to be rid of restraints.\textsuperscript{51} After four years of warfare that had drained the foundations of Europe's economic life, the Allies began discussions on the peace settlement with no single Inter-allied organization, among the many war-time committees, to address broad questions of economic policy.\textsuperscript{52}

The Council of Ten found dealing with Europe's day-to-day problems time-consuming and complex.\textsuperscript{53} Such issues as blockade reduction and transport or food problems continually disrupted their daily conferences.\textsuperscript{54} The economic realities of Europe demanded attention, with some problems common to virtually the entire continent. Neutral


\textsuperscript{51}\textit{HPCP, 1:291.}

\textsuperscript{52}\textit{Jordan, German Problem, 31.}


\textsuperscript{54}\textit{Jordan, German Problem, 31.}
as well as belligerent nations suffered from the blockade of the Central Empires. Industrial inertia, caused partly by transition from war to peace production and partly by workers' malnutrition, plagued belligerents. Approximately half of Europe was experiencing Bolshevik revolutions or threats, while food shortages were critical. New states depended for survival on acquiring food for their citizens. Famine intensified typhus, smallpox, and influenza epidemics. Destruction of shipping tonnage during the war and post-war congestion of ports with useless war materials decreased the world's carrying capacity. Land transportation was inadequate everywhere and British General Harry O. Mance said that a complete communications breakdown threatened all of southeastern Europe. Railway dislocation left cargoes stranded at the docks. In addition to currencies depreciated for war finance,

55 Despatch on Economic Conditions in Central Europe, William Goode (British Director of Relief) to Secretary of State for Foreign Affairs, 1 January 1920, Hoover Library, Herbert Hoover Institute, Palo Alto, Calif.; hereafter cited as Despatch from Goode.

56 Memorandum from League of Red Cross Societies, 11 April, 1919, App. 152 to SEC Minutes, 19 May 1919, PPC, 10:285.

57 Despatch from Goode.

58 Minute 2, SEC Minutes, 17 February 1919, PPC, 10:2.

59 Salter, Allied Shipping Control, 219.
revolutions and new governments left multiple currencies of
doubtful value in circulation.60 British peace delegates,
investigating post-war Europe, speculated that if free
movement was possible, the continent would experience mass
migration to escape disease and hunger.61

Clearly, the countries most destitute economically were
the newly created and undefined small states in central and
eastern Europe, either emancipated from, or with frontiers
extended at the expense of, the Central Empires, Russia, and
Turkey. New nations included Finland, Estonia, Latvia,
Lithuania, Poland, and Czechoslovakia. Enlarged ones were
Yugoslavia, Rumania, Bulgaria, and Greece.62

Countries formerly comprising the Austro-Hungarian
Empire tested new doctrines of government as old racial
antagonisms continued.63 Austria-Hungary, developed over
centuries of dynastic acquisitions, conquest, and
annexations of different nationalities, had experienced

60HPCP, 1:294.

61Report by British Delegates on Economic Condition of
Europe, 5 April 1919, App. 51, SEC Minutes, 7 and 9 April,
1919, PPC, 10:111.

62Herbert Adams Gibbons, Europe Since 1918 (New York:
Century Co., 1923), 295.

63Memorandum on Czechoslovakia and German Austria,
Gertrude Dixon to Herbert Hoover, June, 1919, George Barr
Baker Papers, Hoover Institution Archives, Palo Alto,
Calif., Box 14.
little assimilation. There had been, however, much suppression. Before the Great War, the Empire had already begun to disintegrate and the war completed the process. During the war, in London, Paris, Rome, and Washington, Allies had negotiated with representatives of national committees from within the Empire, which were seeking freedom for their separate groups.

In years past, the Hapsburg Empire had been a workable economic unit. Its final dissolution before the Peace Conference, along with the effects of war, destroyed the foundations of economic cooperation that had existed for many years. Areas which formerly functioned under one government, mutually dependent for exchange of vital commodities, were, in January 1919, without effective administrative structure and separated by political boundaries or military occupation lines which served as economic barriers. Karl, ex-Emperor of Austria, was not likely to gain an audience for his view that the new states must be brought into a dynastically controlled federation in

65 Ibid., 370, 372, 375.
66 Gibbons, Europe Since 1918, 120-121, 127.
67 W. Beveridge to Reading, 17 January 1919, FO 374/132, PRO.
order to prevent the domination of Europe by the Bolsheviks.68 There was a view, at least among the British and the French, that the Hapsburg successor states should be united in some type of confederation.69 Leadership in the British Government hoped, in the interest of an effective European balance of power, for strong eastern and central European states which would resist the westward drive of the Bolsheviks.70 They also wanted these states, left from the fall of the old Empires, to reject the influence of German intrigue.71 Further, the balance of power must operate to prevent France from becoming too strong and gaining hegemony on the continent.72

In addition to political problems, much of central and eastern Europe also suffered physical deprivation. A lack of fertilizers for battle-ravaged farm land brought yields far below pre-war standards, while human consumption of

68 Emperor Karl to King of Spain, 17 March 1919, Lloyd George Papers, F/29/3/16.
69 Gibbons, World Politics, 372.
70 Secret Memorandum, General Staff to Prime Minister, 30 August 1916, Chamberlain Papers, AC 20/9/5.
cereals, which could otherwise be used as fodder, caused a loss of livestock and shortages in meats and fats. Occupying armies produced an additional strain on food supplies.\textsuperscript{73} Severed from its hinterland, the new republic of Austria suffered a severe lack of basics, such as food and heat. All countries in central and eastern Europe were plagued with low food supplies, unstable currencies, new trade barriers, and the lack of a "basis of exchange in the few remaining necessities of national existence."\textsuperscript{74}

The Baltic countries, recently separated from Russia, struggled against Bolshevik forces as well as German influence to retain their newly won independence.\textsuperscript{75} Mutual jealousies and difficulty in communication hindered the cooperation of Estonia, Latvia, and Lithuania.\textsuperscript{76} Germans continued to hold all railways, post offices, and telegraphic exchanges in the Baltic area. The new nations appealed to the western powers for aid to prevent an alignment with Germany or Russia. In return for British

\textsuperscript{73}HPCP, 1:292.

\textsuperscript{74}Despatch from Goode.


\textsuperscript{76}Report by Lt. Col. Tallents, SEC, on Visit to Estonia, March, 1919, Lloyd George Papers, F/199/5/2.
help, they offered trade preference and bases in the Baltic.\(^{77}\) This condition seemed an opportunity to British relief personnel in Estonia who suggested the development of trade interests in that area with representatives to file reports to appropriate London departments.\(^{78}\)

Poles fought Czechoslovakians over coal and coke in Teschen, fought Ukrainians over eastern Galicia, and fought Bolsheviks over Russian borderlands.\(^{79}\) In addition, German military forces remained in Poland, and Russian refugees were a further drain on Poland's already meager resources.\(^{80}\) Acute clothing shortages left Polish soldiers on the eastern front without shoes or overcoats. Rolling stock was insufficient for coal distribution or general transportation. An early and severely cold winter caused a small potato crop.\(^{81}\)


\(^{78}\)Report by Lt. Col. Tallents, SEC, on Visit to Estonia, March, 1919, Lloyd George Papers, F/199/5/2.

\(^{79}\)Despatch from Goode; Gibbons, Europe Since 1918, 238, 334.


\(^{81}\)Hugh Gibson to George Barr Baker, 11 November 1919, George Barr Baker Papers, Box 3.
Little wars, involving, among other things, the struggle for possession of areas rich in raw materials, further complicated European life in 1919. Albanians fought with Serbians as well as Italians. Some Croats and Slovenes resisted inclusion in the new state of Yugoslavia. Bulgarians and Serbians vied for control of Macedonia. Latvians were at war with Estonians, Lithuanians, and Germans. Bolsheviks fought all countries on Russia's western border and, within Russia, the White Russians and others. At one time in 1919, there were twenty three small wars being waged in Europe and Asia.

To a visitor passing from war-torn countries into Germany, the well-groomed vineyards and farms provided a sharp contrast, giving the illusion that because Germany had suffered no enemy invasion she was unharmed by the war. A closer investigation, however, revealed a severe food shortage that could give momentum to Bolshevik groups there. In addition, Germany expected a low 1919 crop

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82 Bicknell, Red Cross in Europe, 288.


84 Marian Baldwin, Canteening Overseas (New York Macmillan Co., 1920), 182.

85 Walter Townley to Lord Curzon, 14 February 1919, FO 382/2370, PRO.
yield. Lost rolling stock, relinquished or abandoned at the beginning of the armistice, hindered transportation. Peace industries replaced war industries slowly, partly because the few investors with capital were reluctant to fund new enterprises. These conditions, along with the effects of a depreciated currency, intensified unemployment and many other economic problems.86

Allied countries suffered along with ex-enemy and liberated nations. The Great War had been costly to victor as well as vanquished. National indebtedness rose as the United States became the creditor of Europe.87 The Allies had granted and received loans with no clear plan for amortization.88

Total human casualties among the belligerents numbered more than 10,000,000. England lost almost 1,000,000 soldiers. Approximately 1,300,000 Frenchmen died while an additional 1,700,000 were impaired as a result of wounds. In sweeping through Belgium and northern France, German troops had ruined mines, destroyed factories, removed


87M.R.D. Foot, British Foreign Policy Since 1918 (London: Hutchinson's University Library, 1956), 72,86.

88Gibbons, Europe Since 1918, 6.
machinery, devastated homes and farms, and driven away or
stolen livestock. Lack of raw materials, inflation, and
social problems plagued post-war France. Need for food
and raw materials, particularly coal, was acute in
Italy. Russia, torn by internal conflict, was a mystery
to her former allies. In 1919, her frontiers were not
clearly defined, and it was impossible to predict the form
of governmental stability that would emerge from the chaos
of the Bolshevik revolution. Further, the Allies
considered her a deserter to the cause of peace. Stripped of Finland, the Baltic Provinces, Poland,
Bessarabia, Georgia, and Russian Armenia, that country in
1919 was powerless and suffering.

89 Barnard M. Baruch, The Making of the Reparation and
Economic Sections of the Treaty (New York: Harper and

90 Memorandum from French Delegation, 24 February 1919,

91 Memorandum from Italian Delegation, 23 February
1919, App. 1 to SEC Minutes, 25 February 1919, PPC, 10:12.

92 Memorandum on Russia by British Delegation,
20 January 1919, FO 374/132, PRO.

93 "Bolshevik Menace," Speech at Aldwych Club, London,
11 April 1919, in Robert Rhoads James, ed., Winston S.
Churchill: His Complete Speeches, 1897-1963, 8 vols. (New

94 Memorandum on the Russian Situation by Balfour,
26 February 1919, Balfour Papers, Add. Mss. 49751.
It was possible, with the end of hostilities, to avoid temporarily the danger of an acute food shortage in Allied, neutral, and liberated countries with access to shipping. In November 1918, the combined Allied and Associated Governments controlled 90 per cent of the world's sea-going tonnage and of this amount the British owned almost 50 per cent.\textsuperscript{95} It was true that England faced an internal battle at the end of the war, over development of new policies concerning transport, housing, health, industry, agriculture, fisheries, and forestation. Some called this a "war" against obsolete and inefficient social and industrial conditions.\textsuperscript{96} In 1919, labor discontent was high all over Europe, and Britain was no exception.\textsuperscript{97} War industries had to be adjusted for peace-time.\textsuperscript{98} Two and a half million men had to be demobilized and returned to peace-time employment.\textsuperscript{99} Yet, England's condition was very

\begin{itemize}
\item \textsuperscript{95}Salter, \textit{Allied Shipping Control}, iv.
\item \textsuperscript{96}Memorandum on Ministry of Ways and Communication for Sir Eric Geddes (unsigned), 9 February 1919, Chamberlain Papers, AC 25/1/1.
\item \textsuperscript{97}William Z. Foster, \textit{The Revolutionary Crisis of 1918-1921 in Germany, England, Italy, and France}, Labor Herald Library No. 3 (Chicago: The Trade Union Educational League, [1922]), 21.
\item \textsuperscript{98}"The Agony of Russia," Speech at Victoria Hall, Sunderland, 3 January 1919, in James, \textit{Churchill}, 3:2917.
\end{itemize}
comfortable when compared to the desperate European continent. To survive, the countries of eastern and central Europe, including Germany, required aid.

One of the tasks of the Peace Conference, therefore, was to address problems of immediate European relief while planning for future permanent international economic cooperation. As Britain led in Allied war-time economic organization, she must now maintain that leadership in the economic relief and restructuring of Europe. Through this effort, Britain hoped to establish a European balance of power favorable to her economic interests and to gain access to the raw materials and markets in all of Europe. These accomplishments were essential if Great Britain was to continue as a prominent participant in the world's economic system.

100 Maynard Keynes to Florence Keynes, 12 April 1919, John Maynard Keynes Papers, King's College, Cambridge.

101 HPCP, 1:292.
CHAPTER III

ECONOMIC CONTROL IN THE RHINELAND

One of the post-war Inter-allied endeavors, offering to Britain the opportunity for access to European markets and for preventing French hegemony on the continent, was the occupation of the German left bank of the Rhine. The armistice with Germany required the evacuation of German armies from the Rhineland within thirty one days of its signing. Allied forces would follow immediately, returning Alsace and Lorraine, captured by Germans in the Great War, to France and placing the Rhineland under military occupation. Local authorities, under control of Allied and Associated occupation armies, would govern the districts of this area, while garrisons, holding principal river crossings at major cities, would secure the occupation. Their purpose was to maintain order, guarantee


treaty execution, and defend against the resumption of German hostilities.\footnote{Supreme War Council's Report on Occupation of the Rhineland, 10 July 1919, in American Commission to Negotiate the Peace, Paris Peace Conference, 1919, SH Bulletins (Palo Alto: Hoover Archives, Microfilm), #480; hereafter cited as SH Bulletins.}

In the pre-armistice discussions between the Allies and the United States, the French had made clear their goal of a separation of the Rhineland from Germany as a buffer against future German aggression.\footnote{Keith Nelson, Victors Divided (Berkeley: University of California Press, 1975), 8.} During the war, the British had known that one war aim of the French Government was to establish the Rhine as the western boundary of Germany. Near the end of the war, the French ambassador talked with Balfour about a Rhenish buffer state and received no encouragement at all. The Foreign Minister did not consider the discussion important enough to report it to Lloyd George.\footnote{David Lloyd George, Memoirs of the Peace Conference, 2 vols. (New Haven: Yale University Press, 1939), 1:252.}

French Field Marshal Ferdinand Foch saw two acceptable permanent options for the Rhineland: French annexation or the creation of neutral or independent states. He tried to persuade the heads of state to accept one of these options and insisted on being kept fully informed concerning all
plans for the Rhineland, before and after payment of reparations. He asked, in addition, to be in continuous contact with the French Foreign Office. Clemenceau told Foch that he was a military adviser to the Government and would be kept informed of Government discussions only as they applied to military matters.6

In the Inter-allied discussions to prepare for the Peace Conference, held in London in December of that same year, Foch appealed for an independent Rhineland under Allied military protection. Lloyd George thought it significant that the first subject raised by the French at the first Inter-allied conference following the armistice was the future of the Rhineland. Foch advocated the use of economic attractions to gain consent of the Rhenish citizens for the Rhineland status he proposed. In later years, Lloyd George commented that Clemenceau, "a wily old politician," allowed Foch to make this suggestion, thinking it possible the British would accept it because of their gratitude to Foch for his leadership in the war.7 Through the spring of 1919, Lord Robert Cecil, an Assistant Foreign Secretary,


7Lloyd George, Memoirs of the Peace Conference, 1:78-80.
was perhaps the only British leader who considered an independent Rhineland to be feasible.

Foch had been placed in charge of Allied Armies on the western front in April 1918. Popular, influential, and a hero in France, he was the willing spokesman of the extreme anti-German and anti-Bolshevik factions. He had clashed with Clemenceau over conduct of the war and in October, a month before the war ended, challenged Clemenceau's constitutional authority to give him orders. Further, it was Clemenceau's perception that Foch and Poincare held conferences on French domestic matters without his knowledge.

On November 11, 1918, Foch reportedly said to Clemenceau: "My work is finished. Your work is just beginning." Yet, Peace Conference participants observed that Foch continued to challenge Clemenceau as an advocate of the most extreme French claims. Although Clemenceau

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at first encouraged Foch, he later disapproved of the military commander's persistence and endeavored to curtail his influence. Some observers believed that Clemenceau gained his reputation for moderation by allowing and then over-riding extreme proposals from French delegates such as Foch. It is also possible that Clemenceau wanted Foch to experience firsthand the difficulties of negotiating with the other Allies concerning the Rhineland.

Clemenceau knew that the French hope for a detached Rhineland could only be achieved, if at all, with Allied support. At a meeting of Foch, Louis Loucheur, Andre Tardieu, and Clemenceau on February 2, 1919, Foch is reported to have said: "Well, Mr. President, I see that now that you have to lead the Allies, you discover as I did that it is not always easy." Clemenceau replied: "Pardon, Marshal. You have forgotten one thing: you were their chief and were recognized as such. You therefore could order them. With me it is an altogether different matter. I have no authority to give them orders." Foch was, apparently,


unappreciative of Clemenceau's subtlety as a negotiator and took the more direct approach. Perhaps this was a factor when, in preparatory discussions for a January armistice renewal, British Treasury official Maynard Keynes and Foch were in opposition concerning food for the Germans and other matters.

Regardless of differences concerning the most effective methods in working with other Allies and the United States, Clemenceau and other French leaders as well agreed with Foch that a future attack by a resurgent Germany was a major concern and a guarantee of protection was essential. If a separation of the Rhineland from Germany eluded them, an occupation of that region was their next choice. On October 15, 1918, Foch had proposed an Allied Rhineland occupation with bridgeheads on the east bank. The occupation would be security for payment of reparations and would provide bases of departure for the Allies should the Germans decide to renew the war. Lloyd George, as well as United States leaders, considered Foch's proposals for the Rhineland to be extreme. As of October 9, the Allied leaders were ignorant of conditions in Germany, and they did not wish to make the armistice demands so heavy that Germany would continue the

15 King, Foch versus Clemenceau, 1, 18-19, 26-27.

16 Maynard Keynes to Father, 14 Jan. 1919, Keynes Papers, King's College, Cambridge.
war. In the end, however, the British and the Americans, failing to offer an alternative guarantee of the armistice, gave in to French persistence and agreed to the occupation.17

Throughout the spring of 1919, the Council of Four debated the size of occupation armies as well as the nature and estimated cost and duration of the occupation. Woodrow Wilson wanted token American forces, sufficient only to show a flag, and he insisted on no interference in German civil life.18 Clemenceau, holding little hope for the French dream of a detached Rhineland through action of the Peace Conference, and recognizing the necessity of Allied and Associated support, was open to a compromise that would ensure the continued commitment of Wilson and Lloyd George to a Rhineland occupation.19 He indicated that he could not maintain his position in the House of Deputies if there was no military occupation of the left bank.20 Lloyd


George contended that an occupation must be as inexpensive and as brief as possible.

Allied and Associated military forces did not enter Germany during the war and as military leaders planned for the occupation, they disagreed in evaluating that country's remaining strength. Foch estimated the German armed divisions combined with their police would number 800,000 men. He called for a 50 year occupation. Further, he maintained the need for an occupation force of 120 to 140 Allied and American divisions to meet German forces. General John J. Pershing, Commander-in-Chief of the American Expeditionary Forces in Europe, and others thought this estimate was too large in light of Germany's decreased navy, surrendered military material, reduced food supply, and agitated political situation. Instead of the thirty to fifty year period the French wanted, Lloyd George maintained that two years would be long enough provided the Germans could give evidence of treaty compliance. He had to

21Foch to Clemenceau, Report on German Army, SH Bulletins, #752.


23Pershing to Commission to Negotiate the Peace, 7 January 1919, FRUS 1919, 2:57-58.

consider the strain, in 1919, of maintaining an army throughout the Empire. In February, Churchill, as Secretary of State for War and Air, stated that keeping an army on the Rhine large enough to advance into Germany if necessary, during the settlement period, was the only way to protect the new states of Europe. Protection of eastern and central Europe and the raw materials and markets there was a prime British concern. The European balance of power desired by Britain demanded that these states be strong to help check Russian as well as German expansion.

Nevertheless, Lloyd George, with a campaign promise behind him that Germany would pay the full cost of the war, noted that, at the present rate of expenditure, the occupation armies would cost £300,000,000 per year. Since Germany must bear expenses for these armies, he insisted they should be small enough that the cost would not interfere with Germany's ability to pay indemnities.

The Allied armies had already started the occupation in November and occupation authorities found the Rhineland, as


27Council of Four Meeting, 5 May 1919, PPC, 5:471.
all of Germany, weakened by severe post-war problems. The absence of a stable government and a desperate economic situation, owing to lack of raw materials and agricultural products, were the dominant threats to German life and property. Additional complications included the Bolshevik uprisings and the movement for an independent Rhenish republic.28

The occupied region consisted of all the German territory on the left bank of the Rhine, with the three right bank bridgeheads of approximately a twenty mile radius opposite Cologne, Coblenz, and Mainz. Foch partitioned this area for administration by the United States, Britain, France, and Belgium.29 The total occupied area amounted to about one thousand square miles, contained a population of approximately six million people, and included all of the Palatinate and parts of four provinces. Occupation authorities supervised this German system of administration and made few changes in its structure. A network of regional and municipal officials and agencies attended to the civil business of the region.

The partition of the region provided for Belgian forces to guard the industrialized northwestern zone with its mining, textile, and metal centers. The British guarded the

29Ibid., 11-12, 28.
northeastern zone which contained chemical and metal factories and encompassed Cologne, the most important city of the occupied territory. The American zone, in the center of the occupied region, was primarily agricultural with almost no industry and contained Coblenz, the capital of the Rhineland province and an important seat of German administration. Partly industrial and partly agricultural, the French zone was the largest and, covering the southern portion of the Rhineland, bordered Alsace and Lorraine. It contained chemical works, a leading German automobile factory, machine factories, and the city of Mainz.

In his November directives to the army commanders, Foch expressed the desire to reestablish normal conditions for the Rhenish population as soon as possible. He also stated, however, that he considered the occupation to be belligerent and that he would recognize German laws only when they did not threaten the safety or the orders of the armies. In fact, the concept of the safety and security of the occupation, lending itself to subjective interpretation, had the possibility of permitting Allied intervention into every aspect of Rhenish life if the military authorities perceived a threat. Actually, Foch advocated a military regime which

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would allow military authorities to suspend local government whenever they considered it advisable to do so.  

During the early months of the occupation, a strictly military government did administer the Rhineland under a state of martial law. Although Foch was the ultimate authority, commanders of the individual armies were autonomous in their territories. They issued decrees on the basis of a model prepared by Foch, with changes to accommodate the conditions in their own zones. There were attempts at cooperation but tensions between Foch's High Command and the individual commands were always present. If Foch's regulations ran counter to the national policy of an individual army, British and American military leadership made no significant attempt at enforcement.

In addition, different systems of military administration existed in the four zones of occupation. French and Belgian forces centralized authority at the main headquarters. The British tended toward decentralization of

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32 Fraenkel, Military Occupation and the Rule of Law, 9.

authority, with many decisions made by commanders of individual British armies rather than at British army headquarters.\textsuperscript{34} Both the American and British systems involved a large number of officers detailed to work with regularly elected or appointed German officials.\textsuperscript{35}

From the beginning of the armistice, British peace delegates maintained that a region in military occupation offered opportunities for economic exploitation.\textsuperscript{36} British trade officials saw danger to their national interests in giving ultimate authority in the Rhineland to military personnel. They believed it would mean handing over the economic and political life of the occupied territory to the French Commander, Foch. The French, they said, would use their dominant military power to advance purely French commercial interests rather than Allied interests.\textsuperscript{37} As early as January, at the request of British General Herbert Plumer and with the approval of the Foreign Office, "financial experts" were in the British zone

\textsuperscript{34}Allen, Rhineland Occupation, 90-101.

\textsuperscript{35}American Military Government, 1:333.

\textsuperscript{36}British Empire Economic Committee Minutes, 28 March 1919, FO 608/75, Public Record Office, London.

\textsuperscript{37}Sidney Waterlow to Curzon, 16 June 1919, FO 608/279, PRO.
of occupation to assist military authorities with commercial and financial questions. Of the queries concerning Rhenish markets for British goods was the search for an opportunity to sell surplus stocks from the Army and Navy Canteen Board. As for the French, within days after the armistice signing, their Government had set up a committee known as Administration des Pays Rhenans under the direction of Paul Tirard, one of Foch's top aides and Controller General of the Occupied Territories, to attend to French commercial interests. In addition, the Inter-allied Economic Committee, also known as the Luxembourg Committee, was under the command of Foch and was responsible for commercial relations between occupied Germany and unoccupied Germany, neutrals, and Allies. It was assembled in Luxembourg, seat of Foch's headquarters and was, according to British trade experts, overwhelmed by the influence of Foch and Tirard.

Foch had created this special coordinating agency for the administration of the entire occupied territory; it had

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38 Sidney Waterlow to Curzon, 16 June 1919, FO 608/75, PRO.
39 Unsigned letter to T.C. Wise, 24 March 1919, FO 608/281, PRO.
40 Sidney Waterlow to Curzon, 16 June 1919, FO 608/279, PRO.
sections for administrative, diplomatic, economic, financial, judicial, and legislative matters. It was one of many Inter-allied commissions, usually more French than Inter-allied, associated with the Rhineland occupation and under the control of Foch. Its purpose was to grant licenses for commercial arrangements between occupied Germany and virtually the rest of the world. Representation on this Luxembourg Committee was, quite naturally, a matter of concern to the British. From its beginning, Trade Department officials were requesting strong British civilian representation to avoid irreparable damage to British commercial interests. According to Foreign Office officials, British financial experts must participate in the initiation of trade arrangements with occupied territories in order to avoid future international disadvantages for Britain.

As early as December 1918, Tirard had issued directives which reduced all relations between occupied and unoccupied

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41 Memorandum on Relation of Armistice Commissions to SEC by E. F. Wise, 5 April 1919, App. 77 to SEC Minutes, 7 and 9 April 1919, PPC, 10:150.

42 Lord Milner to Lord Derby, 31 January 1919, FO 382/2369, PRO.

43 Waterlow to Curzon, 1 February 1919, FO 382/2369, PRO.

44 Foreign Office to Secretary of Treasury, 16 January 1919, FO 382/2358, PRO.
Germany to a minimum, including movement of people and products, communication, and judicial and police matters. In doing this, one of his goals was to direct the commerce of the Rhineland toward France. He sought markets in France for Rhenish products, and, in January, he achieved modification of the French tariff to grant favored status to the Rhineland. Small businessmen in France protested this competition with the Germans. Yet, the reverse policy, also pursued by Tirard, of providing Rhenish markets for French products was highly desired by French businessmen.\(^{45}\) In these efforts, Tirard had the support of Clemenceau and other French authorities, who approved of the provision of French markets for Rhenish industries as an incentive to lead the Rhinelanders to form an autonomous state.\(^{46}\)

In February, German leaders complained of the French effort to orient the Rhenish economy to the west.\(^{47}\) They


maintained that French trade policies created a "hole in the west" or an open wound in Germany's economic body.\textsuperscript{48} French and Germans alike were aware that there was, available for French encouragement, an amorphous separatist movement in the occupied region. The Rhinelanders were generally more parochial, conservative, and Catholic than the remainder of Germany, and a residual distaste for Prussianism, as well as perhaps a hope of avoiding some of the worst effects of the peace treaty upon Germany combined to make many Rhenish leaders consider separation.\textsuperscript{49} As they registered their response to French commercial aggression, German leaders were keenly aware that this region, with its dense population, productive agriculture, and highly developed industry, was essential for a healthy German economy.\textsuperscript{50}

The British also noted with concern the French commercial efforts in the Rhineland, but for different reasons. They wanted markets for British products and wanted to advance British commercial goals in Germany. In addition, they did not wish for France to become strong enough to gain hegemony on the continent. British trade

\textsuperscript{48}Fraenkel, \textit{Military Occupation and the Rule of Law}, 18.

\textsuperscript{49}Nelson, \textit{Victors Divided}, 47.

\textsuperscript{50}Brockdorff-Rantzau to Clemenceau, 3 June, 1919, S H Bulletins, #344.
officials maintained that "French cleverness" was no match for "British persistence."\textsuperscript{51} The French, however, controlled the commissions which supervised commercial dealings in the Rhineland, and one of the chief obstacles to British zeal for German markets was the economic authority that the French had established in occupied Germany at the beginning of the armistice. During the early months of the occupation, as Allied-Commander-in-Chief, Foch controlled approximately one million Allied and American troops and a German population six times that size.\textsuperscript{52} This was in addition to his direction of the Armistice Commission, the body responsible for all communications between the Allies and the Germans, and the powerful Luxembourg Committee. These positions gave awesome strength to one who, with other French participants in the peace settlement, wanted Germany crushed, politically and economically, beyond possibility of another act of aggression against France and who wanted the Rhineland to be separated, politically as well as economically, from Germany and directed toward France.\textsuperscript{53}

Along with the United States, Great Britain wanted Germany's full recovery as a participant in international

\textsuperscript{51}Waterlow to Urwick, 27 June, 1919, FO 608/279, PRO.

\textsuperscript{52}Allen, \textit{Rhineland Occupation}, 35, 45.

\textsuperscript{53}Charles a Court Repington, \textit{After the War} (Boston: Houghton Mifflin Co., 1922), 233.
trade and continued to oppose political or economic separation of the Rhineland from Germany. Britain especially wanted the markets which Germany had to offer in international trade and to prevent French hegemony on the European continent. The power of the French, and particularly of the French Allied Commander-in-Chief, was a force with which the British must deal if they were to pursue their economic interests in eastern and central Europe.

54 Wise to SEC, 5 April 1919, PPC, 10:149.
CHAPTER IV

THE REVICTUALLING OF GERMANY

The economic recovery of Germany depended upon the provision of food for its population. In the twenty-sixth clause of the Armistice with Germany, the Allies made a commitment to provide this food. The clause read: "The Allies and the United States contemplate the provisioning of Germany during the Armistice as shall be found necessary."¹ Among the challenges encountered in accomplishing this task were competition for control of the Inter-allied economic and commercial commissions, restrictions of the blockade, disagreement concerning transfer of German ships, and complications in arranging German finance.

In early 1919, Germans provided data concerning their needs at conferences in Treves and Spa. They gave information which was supported by Allied occupation reports, the chief executive of the International Red Cross, individual observers such as a doctor who conducted a

mission of inquiry in Berlin for United States Food Administrator Herbert Hoover, and British officers who visited unoccupied Germany.² In an effort to determine the supplies Germany had on hand, British military personnel went to German factories, housing tenements, shops, and schools. They examined stocks, interviewed business men and other civilians, and met with representatives of the police. This investigation revealed a food shortage so acute that Germans ate milk cows as well as tuberculous cattle. There was no milk except for children under six and sick people.³ Malnutrition threatened permanent harm to the children.⁴

Pressures of the blockade and bad harvests during the war were primary causes of this condition and had a cumulative effect on the adult German diet as well, reducing capacity to work and resistance to disease. Prior to the war, the average German man consumed approximately 4,020 calories daily. When the war ended, German ration cards allowed only 1,500 to 1,600 calories per day. Persons with

²Memorandum on Relief for Germany by John Beale, 21 February 1919, App. 5(b) to SEC Minutes, 25 February 1919, PPC, 10:16-18.

³Report from Military Officers to SEC, [undated], App. 5(c) to SEC minutes, 25 February 1919. PPC, 10:22-23.

money to buy through illicit trade or food producers fared better while the poor in urban districts suffered more.  

Among the Allies and the United States, there was the fear that German food supplies would be exhausted before the next harvest, causing an outbreak of anarchy. This fear was voiced in the United States Congress on January 13. Documents and reports from Germany also expressed this concern. In a speech to Congress, on November 11, Wilson had emphasized the need for food provisions, saying that hunger was rich soil for anarchy. Herbert Hoover maintained that a return to normal endeavors in Germany would stop the spread of Bolshevism and stabilize the new government. Among the British peace delegates were those who considered a sudden and successful outbreak of


7Secretary of State to House, 16 November 1918, PPC, 2:18; Charge in Denmark to Secretary of State, 23 November 1918, PPC, 2:28-29.


Bolshevism to be a real threat and advocated the provision of food as the most likely deterrent to this condition.\(^\text{10}\)

The German Government, while trying to maintain its authority, encountered pressures from both rightist and leftist groups within the nation. The Government was aware, however, of the impact upon the Allies when they presented the threat of national Bolshevism in bargaining for food or other concessions.\(^\text{11}\) This was a factor Clemenceau had noted in the armistice negotiations.\(^\text{12}\)

Although the food situation was critical, a German economic expert, G. Oettelshofen, conducted a detailed investigation and reported that the danger of immediate severe famine did not exist. The Government was stockpiling foodstuffs in Berlin against an extreme catastrophe.\(^\text{13}\) Yet German plans for food provision had gone awry with the sudden ending of the war. The Germans, in September 1918, had sufficient

\(^{10}\)Townley to Curzon, 14 February 1919, FO 382/2370, Public Record Office, London.


\(^{12}\)Notes from SWC Meeting, 8 March 1919, in Bane and Lutz, Blockade of Germany After the Armistice, 209.

food to last eleven months with a daily ration of 2,400 calories per individual. They had planned to capture enough provisions from the Allies to last an additional month. When their military effort ceased in November, they lost part of their supply to the Allies and, of course, were unable to capture any food. The November Armistice specified no definite quantity, but Hoover estimated a monthly $80,000,000 shipment of food must go to Germany beginning March 1 and must continue for one month after the ending of the blockade.

The Allies stressed the need for the Germans to release their ships for food deliveries, as specified in the armistice. Germans were reluctant to do this, however, fearing they might not regain the vessels. It was the view of German negotiators at conferences in Treves and Spa, that the Allies, in proposing to take the merchant fleet, were planning to rob the Germans and to leave them without resources to help themselves. Their merchant fleet was essential for export trade. The Germans were unwilling to


15 Memorandum from Hoover on Finance of German Supplies, 23 February 1919, App. 5(a) to SEC minutes, 25 February 1919, PPC, 10:15-16.

16 House to Secretary of State, 27 November 1918, PPC, 2:637.
give it up with only the specific promise of 270,000 tons of food and no further statement of definite quantities. 17 American delegate James Logan reported a conversation with a German delegate who said their merchant fleet was the only remaining German economic weapon and was crucial for Germany's existence. Further, the German delegate, like other Germans, feared that, after relinquishing their fleet, they would have to make additional concessions, determined by Foch at some later date, in order to get more than the specified 270,000 tons of food. 18

In the January armistice renewal, the Germans agreed to hand over their ships to Allied control before the Allies would provide food. They delayed execution of this agreement in an unsuccessful effort to get the Allied and Associated powers to guarantee delivery of all of the food needed in Germany until the next harvest. 19 In response to this German hesitation, the Allies emphasized that these ships were needed for transporting food to Germany. 20


18 James A. Logan to Hoover, 6 March 1919, in Bane and Lutz, Blockade of Germany After the Armistice, 184-185.

19 Waffenstillstand, 2:37-41.

20 Minutes, British Committee of SEC, 28 February 1919, FO 608/75, PRO.
They were also needed for the initiation of a relief program involving most of Europe. British peace delegates, and other Allies as well, insisted that Germany must, without waiting for settlement of terms, place all available ships at the disposal of the Allies. They further stated that the Allies would use the German ships as they wished, not basing the quantity of food sent to Germany on the number or the carrying capacity of the surrendered ships.

Delegates who had worked for Inter-allied economic cooperation during the war now said that control of these ships was important to Allied economic equilibrium during the armistice period. The supply arrangements of the Allies, agreed to during the war, must not be disturbed with the initiation of the armistices. They wanted neither neutral nor enemy states to be allowed to purchase, in competition with the Allies, supplies from international markets. Such competition, the Allies believed, would result in dislocation of the favorable economic position they had achieved. As early as October 28, 1918, representatives of the Allied Maritime Transport Council and the Inter-allied Food Council, in a joint resolution

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requested that all supplies for neutral, liberated, and enemy states be under the control of existing allied organizations such as the Food Council and Programme Committees. To make this control effective, they said, it was essential for the Transport Council to direct the use of German and Austrian vessels while the ultimate disposition of the enemy fleet awaited the decision of the Peace Conference. The Transport Council requested authority to administer these ships temporarily for the purpose of protecting Allied trade interests.23

Allied control of international economics, fostered during the war, was a reason the United States gave for its reluctance to cooperate with the Allies in relief efforts in the early days of the armistice period. Hoover said, in fact, that the contemplation of such an association filled him with "complete horror." Concerning German ships, he advocated Germany's retention of one-third of her merchant fleet for export trade.24

In addition to problems with Germans concerning ships, the Allies disagreed among themselves as to the urgency of food provisions for Germany. Prior to the January meeting for armistice renewal, Foch had advocated a blunt demand


24Hoover to Wilson, 11 November 1918, in Bane and Lutz, Blockade of Germany After the Armistice, 11-12.
that the Germans turn over the ships with no promise of food. Reports from French newspaper correspondents working in Germany had discredited the German plea for food and encouraged the view that French children suffered as much as German children. Elements of French public opinion, therefore, supported Foch's stance.  

British views varied on the importance and the appropriate direction of efforts to feed Germany. Robert Cecil favored the loosening of restrictions, with only the machinery of the blockade left in place, as a significant part of the solution.  

Food Ministry official Sir John Beale, expressing Allied self-interest, maintained that the desperate German food shortage would lead to an economic and and political disaster that would affect the economies of the Allied countries. It being impossible for Germany to pay in cash for all her needs, the Associated Governments should lift the food blockade immediately, leaving Germany free to make arrangements for her own imports. Meanwhile, the Allies should grant, for Germany's supplies, loans which would carry a first charge on reparations. Beale also


26Cecil to Lloyd George, 21 April 1919, Lloyd George Papers, F/6/6/32.
maintained the Allies should provide shipping until German tonnage was available.27

Within the British electorate, there was a widespread perception that the German food shortage was severe.28 Labour expressed a general feeling of sympathy for "half-starved" Germans.29 Some Britons, such as Churchill, maintained the need to strengthen Germany as a bulwark against Bolshevism and stated that the "structure of the civilized world" depended on Britain's making peace with Germany.30

Even among persons who had observed post-war Germany firsthand, however, there was the view that it would be inadvisable to take away the threat of starvation without evidence that Germany's military strength would not surface again.31 A more extreme group, instead of feeding

27 Memorandum from John Beale on Relief Supplies for Germany, 21 February 1919, App. 5(b) to SEC Minutes, 25 Feb., 1919, PPC, 10:9.

28 Mother to Keynes, 16 March 1919, John Maynard Keynes Papers, King's College, Cambridge.


31 Report on Food Conditions in Germany, 16 February 1919, by Military Section, British Delegation, App. 5(c) to SEC minutes, 25 February 1919, PPC, 10:22.
Germany, advocated treating her as she had treated Belgium, taking all assets such as silver, jewels, paintings, and libraries.32 Others, in the trade community, were more concerned with containing German capacity for competition with the British than with food provision. Board of Trade representatives like Hubert Llewellyn Smith, hoping to insure that Germany would not recuperate industrially at the Allies' expense, wanted an article in the treaty to support a duty, determined by the Allies, on Germany's exports for a period of years.33 Outside Whitehall, a powerful lobby of business interests demanded that Germany pay the entire cost of the war, thus taxing German rather than British industry.34 The overriding concern of the British trade community was, quite naturally, to do what was best for Britain, not Germany.35 In February 1919, the House of Commons approved loans of £12,500,000 for European relief in the form of food, reconstruction, and raw materials. This allocation was primarily for purchases from the United

32F. A. Keynes to Maynard Keynes, 11 November 1918, Keynes Papers.

33BEEC Minutes, 3 March 1919, FO 608/75, PRO.


35Mitchell-Thomson to Cecil, 23 April 1919, FO 800/250, PRO.
Kingdom. The terms, however, specifically excluded aid to Germany.36

In negotiations at Paris, the French pressed for the peace terms to weaken Germany prior to a return to normal economic relationships. The British joined American delegates in maintaining that the war victors must feed Germany, in order for that country to participate in the world economy.37 They said that resumption of German international commercial involvement would benefit not only Germany but the entire world and particularly the United Kingdom.38

The debate between the Americans and British on the one hand and the French on the other, centered also on Germany's method of payment. In addition to cash payments, the Allies agreed that the Germans must, as soon as possible, produce commodities to exchange for food.39 The French, however,

36Despatch on Economic Conditions in Central Europe, William Goode (British Director of Relief) to Secretary of State for Foreign Affairs, 1 January 1920, Hoover Library, Herbert Hoover Institute, Palo Alto, Calif.; hereafter cited as Despatch from Goode.


38Memorandum on Relation Armistice Commissions to SEC by E. F. Wise, 5 April 1919, App. 77 to SEC minutes, 4 and 7 April, 1919, PPC, 10:149.

39SEC minutes, 1 and 3 March 1919, PPC, 10:32.
insisted that all liquid assets must be kept for reparations, and that the Germans, from the beginning, must manufacture products to exchange for food. Americans and Britons maintained that significant production was impossible in early 1919 and proposed payment in either gold or negotiable foreign securities. It was, as a matter of fact, the Americans and the British, not the French, who had food to sell and who would be the recipients of Germany's liquid assets. In the absence of German production, the French proposed loans to Germany. French Finance Minister Louis-Lucien Klotz advocated creation of a German debt for food, with immediate assets as a pledge for its ultimate settlement, to be added to the many debts owed by Germany to the Associated Governments. The means of its collection would be the subject of later Allied discussions.

Lloyd George reportedly accused Klotz of spreading Bolshevism. Clemenceau approved Klotz's proposal and on

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41 Cecil to Lloyd George, 8 March 1919, Lloyd George Papers, F/6/6/14.
February 4, Hoover, in a letter to Wilson, surmised that the French wished to compel the United States to lend money to Germany for the purchase of food, and they were the main obstacle to Germany's revictualling. Cecil perceived the French aim similarly. Expressing a common British view that United States resources were essential for solution of the post-war economic crisis, he told Clemenceau that only American assistance could save Europe from disaster. If Allies could obtain Germany's gold for food, America might accept it as collateral for new loans.

The Germans claimed to have $69,500,000 available for the purchase of food, but each Ally had calculated a different sum of how much money Germany could obtain. This was evident in the discussions concerning reparations. Even within the British Delegation, there was disagreement. Lloyd George had pledged, during the election, that Germany would pay the full cost of the war and extravagant expectations had arisen within Britain. Now, the Peace Conference faced the task of determining how much should be expected. Cunliffe, for instance, estimated that Germany could pay as much as 120 billion dollars over an unspecified

45Cecil to Lloyd George, 8 March 1919, Lloyd George Papers, F/6/6/14.
46Menne, Armistice and Germany's Food Supply, 77.
number of years. Keynes said that Germany could pay 10 to 15 billion dollars over twenty five to thirty years. Lloyd George avoided stating an exact amount, but said the British Empire should receive 30 per cent of the total collected from Germany.  

A more thorough study revealed that the Reichsbank had, in July 1914, £67,800,000 in gold. On November 30, 1918, the amount was £115,417,000. The increase was the result of a war-time campaign in Germany for citizens to surrender gold coins and gold ornaments. In addition, the Reichsbank held approximately £1,000,000 in silver. Adding in an estimate of currency in circulation, Germany had probably a total of £125,000,000 in silver and gold. Some of the more liberal British delegates at Paris advocated the use of this capital as collateral for new loans and acquisition of money for food through hire of ships, export of allowed commodities, sale of German cargoes currently in ships in neutral ports, credits in neutral countries, and sale of securities or properties in foreign countries.

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49 Annex 1 to Instructions from Supreme War Council, App. 27 to SEC Minutes, 10 March 1919, PPC, 10:61-62.
The Germans estimated, in January at Treves, that they could obtain approximately 2 per cent of the needed money for food in loans from neutrals. After that, their only immediate asset was gold. Carl Melchior, head of the German financial delegation, said that the German political and economic situation required acceptance of food by any means of payment the Allies demanded. Payment in gold, however, would have a devastating effect on his country's credit and currency system. He maintained that German financial recovery depended on keeping some liquid resources. The first choice of German financial delegates was payment by a mark credit, liquidation of which could be settled by the Peace Conference along with other financial claims against Germany.

Because of the inevitable loss of Germany's colonies, her fleet, and her foreign investments in the coming peace treaty, Germany could not expect to be able to pay for the importation of adequate raw materials for some years to come. But the reparations the Allies expected would probably demand a greater level of German international trade than that of pre-war years, and without sufficient industrial exports, it would be impossible. If Germany's

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50 Miller, My Diary at the Conference of Paris, 1:82-83.

51 Keynes, Activities, 397-399.
gold and other liquid assets were to be used in payment for food or, as the French proposed, held for reparations, and no loans were available, there would be no capital to invest in industries. In the near future, a moderate German economic recovery, according to Keynes, would demand an investment of one hundred million pounds sterling, only fifteen to sixteen million less than Germany's assets in gold and silver in the Reichsbank before deductions for food.

Payment of reparations depended on Germany's economic recovery and the resolution of Allied indebtedness was, to an extent, related to this payment. Keynes openly maintained that the generosity of the United States was essential to the reconstruction of all of Europe, including Germany. He perceived this as fair, since American war sacrifices had been less than those of European countries.

In November 1918, Keynes had presented complete debt cancellation as advantageous to Britain. His view was that his country held debts from European Allies with bad credit while the United States held debts from Britain, whose credit was good. The cancellation of all Inter-allied

52 Keynes, Economic Consequences, 118, 145, 171-172.
53 Keynes, Activities, 419.
54 Skidelsky, Keynes, 368-369.
indebtedness would result in a net loss to the United States and to the United Kingdom, and to all other Allies, especially France, Italy, and Russia, a gain.\(^5\) The Inter-allied loans, according to Keynes, crippled Britain's investment potential and left her vulnerable to United States pressure. In March, he circulated a paper saying that requiring payment of war debts would poison the capitalist system.\(^6\) The United States had already considered the possibility of cancelling all war debts and rejected it. The United States Treasury had informed European Treasuries in late 1918 that it was opposed to linking American foreign loans with matters such as reparations, and Congress took the position that foreign loans must be collected rather than forgiven or exchanged for debts.\(^7\)

The heads of the Allied governments, deeply involved in political and territorial questions, had little time for current financial and economic concerns or their impact on the future of food, coal, and transport in Europe.\(^8\) When

\(^5\)Keynes, Activities, 419.

\(^6\)Skidelsky, Keynes, 368-369.

\(^7\)Telegram Acting Secretary of State to Commission to Negotiate the Peace, 11 December 1918, PPC, 2:538-539; Telegram Acting Secretary of State to Commission to Negotiate the Peace, 19 December 1918, PPC, 2:544-545.

\(^8\)Keynes, Economic Consequences, 93.
debate concerning food provision or reconstruction for Germany occurred, the French maintained a negative stance and opposed any measures to strengthen Germany's economic and commercial power, including raising the blockade, even as they demanded huge reparations. Wilson and Lloyd George continued to agree that a reconstructed Germany was essential to the economic life of Europe. Americans opposed governmental interference, however, advocating the lifting of all restrictions, while the British called for a positive policy of active economic cooperation.59

The provision of food for Germany was a temporary problem, dependent for solution upon the decisions of the Council of Four in dealing with more permanent matters. British peace delegates worked with the United States and other Allies, both in the effort to solve the permanent problems of Allied indebtedness and German reparations and in the effort to alleviate the temporary food crisis in Germany, even as they sought to protect their commercial interests.

CHAPTER V

THE CREATION OF THE SUPREME ECONOMIC COUNCIL

As war-time economic organization became less urgent, one of the factors which called forth suggestions for international economic cooperation was a growing awareness of acute distress in Germany and in all the rest of central and eastern Europe. Although the provision of food and other kinds of relief was a humanitarian gesture, it also presented opportunities to some of the Allies for trade advancement and increase in world influence. These opportunities resulted in friction as each Ally pursued its own competing policy.¹ The competition, according to Lloyd George, caused unnecessary obstacles to international commerce.² Indeed, for this and other reasons, the economic business of the world was paralyzed in the early post-war months.³


²Lloyd George to Robert Borden, 20 February 1919, Lloyd George Papers, F/5/3/12.

In addition to challenges from French efforts to control the Rhenish economy, Britain competed with the United States in the drive to enhance national trade since both had surplus supplies of some of the same foods. Hoover’s guaranteed prices to American farmers in 1918 and 1919 rendered harvests abundant. Britain had, available for export, rangoon beans, rye flour, barley flour, oat products, peas, and other items. Australia and Argentina had stores of surplus wheat. British leaders saw, in the countries of eastern and central Europe, a market for these supplies and knew Hoover was making the same observation. The British made an effort at limited post-war economic cooperation with a bid for a joint Anglo-American wheat sale. The United States, however, refused this cooperative trade initiative.

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4 Hoover to Wilson, 8 January 1919, Herbert Hoover Papers, Hoover Institution Archives, Palo Alto, Calif., Box 8.


Before a program of international cooperation was clearly defined, Britain was active in relief work. The day of the armistice signing, John Beale, First Secretary of the Food Ministry, attended a Cabinet meeting to participate in planning for emergency European relief measures. Among these were the diversion of wheat cargoes, already at sea, to Falmouth or Gibraltar for distribution to destitute areas and the transfer of army rations at the front to the Commission for Relief in Belgium. By January, Britain was playing a prominent role in Inter-allied relief to Poland, Turkey, Hungary, Czechoslovakia, Austria, Yugoslavia, and Trieste. Also, early in 1919, a delegation of fourteen British military officers investigated German cities to report on food needs. British citizens worked in volunteer relief projects sponsored by the Friends' Emergency Relief Committee in Vienna, Friends' War Victims' Relief Committee in Poland, League of Red Cross Societies, Lady Paget's Mission in Czechoslovakia, Save the Children Fund in London, and other organizations.

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8Despatch on Economic Conditions in Central Europe, William Goode (British Director of Relief) to Secretary of State for Foreign Affairs, 1 January 1920, Hoover Library, Herbert Hoover Institute, Palo Alto, Calif.; hereafter cited as Despatch from Goode.


10Despatch from Goode.
Participants in British relief efforts received orders to avoid political involvement or using aid as a means of bringing increased trade opportunities to Britain, and Hoover publicly praised their unselfish service.\textsuperscript{11} From the beginning, however, relief programs served national goals. Throughout the spring, British relief representatives provided daily reports, by telegraph or by special courier, to the British Peace Delegation in Paris. Often this was the only source of information, especially from areas disturbed by fighting, both for political and military sections of the delegation.\textsuperscript{12}

An example of British national zeal demonstrated through relief efforts is to be found in the restoration of Rumanian communications. At this time, the British sought to guard their interests in oil-rich areas of the world such as Rumania. In Peace Conference negotiations, British delegates were watchful to acquire any enemy interests that might be available. The British Empire, maintained partly through its plentiful indigenous coal resources, faced a change if it was to remain competitive as a leading world power. The supremacy of coal had diminished as oil, a cheaper and more efficient fuel than coal, became the basis for bunker fuel.

\textsuperscript{11}\textit{Ibid.}

\textsuperscript{12}\textit{Ibid.}
Further, in 1918 the United States controlled 65% of the world's oil production and Britain only 4%. Before the war, the sources of British oil were:

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>62.3%</td>
</tr>
<tr>
<td>Rumania</td>
<td>11.6%</td>
</tr>
<tr>
<td>Russia</td>
<td>7.7%</td>
</tr>
<tr>
<td>Dutch East Indies</td>
<td>7.7%</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.1%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>6.6%</td>
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</table>

During the war, Britain obtained 80% of her oil from the United States. This dependence on the United States was a condition the British wished to escape. With the growing importance of oil to all national economies, there was a fear in Britain that the United States could place the Empire at a disadvantage if America's oil needs or trade requirements demanded it.13 Thus, a British railway mission, after investigating Rumanian transportation needs in November, quickly received a £500,000 Government allocation for reconstruction of Rumanian railways.14 An investment in a country with oil fields was worthwhile.

France, like Britain, seeking access to petroleum, wanted to replace Germany as Rumania's suzerain.15 One

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13 Memorandum on the Petroleum Position of the Empire, by John Cadmon, Petroleum Executive, December 1918, FO 608/75, PRO.

14 Communications Section Report, 5 April 1919, App. 66 to SEC Minutes, PPC, 10:132.

option for Britain, therefore, was cooperation with the French. Accordingly, the British and French entered into an agreement to exploit the oil fields of Rumania as well as Asia Minor, French Colonies and Protectorates, and British Crown Colonies. All advantages of this association were to be divided on an equal basis. The agreement, submitted to French and British Foreign Ministers on April 8, 1919, received British Government approval three weeks later with ratification by the Foreign Office. In July, Lloyd George cancelled the agreement because he was not informed of it in advance and because he perceived a French advantage in the agreement's unspecified boundaries. Nevertheless, the fact that these negotiations had taken place demonstrated British as well as French desire for control of the earth's oil.

Even as Britain looked to the future and control of oil-rich territories, coal was still a matter of concern. The supply of German coal through reparations could

16 Memorandum on the Petroleum Position of the Empire, by John Cadmon, Petroleum Executive, December, 1918, FO 608/75, PRO.

17 Anglo-French Agreement. Secret. [6 March 1919], FO 374/132, PRO.

18 John Cadmon to Louis Mallett, 2 July 1919, FO 374/132, PRO.

19 Lloyd George to J.T. Davies, 10 July 1919, Lloyd George Papers, F/12/1/25.
adversely affect sale of British coal to France. Early in February, the Board of Trade's Coal Mines Department asked for and received the support of Lord Cunliffe, a representative on the Inter-allied Reparation Commission, for their business interests.20

In addition to the problems of British competition with the United States over sale of food supplies, with the United States and France concerning oil production, and with Allied demands on Germany for coal supplies, there existed in 1919 a large accumulation of some raw materials in Britain as well as other Allied countries. Increased stimulus to industrial production during the war and Allied purchases from neutrals to prevent sale to the Central Empires caused this surplus. These raw materials included textiles, ferrous and non-ferrous metals, chemicals, nitrates, pyrites, sulfur, glycerine, and cotton waste.21 In the spring of 1919, this surplus was an economic burden which concerned British Board of Trade leaders such as Hubert Llewellyn Smith.22

20Interview between Lord Cunliffe and W. A. Lee (Secretary of Coal Mines Department, Board of Trade), 20 February 1919, FO 608/75, PRO.

21Report on Raw Materials, BEEC Minutes, 28 March 1919, FO 608/75, PRO.

22BEEC Minutes, 28 March 1919, FO 608/75, PRO.
To deal with these conditions, as well as the competition with France for commercial advantages in Germany, the British War Cabinet approved, on November 3, 1918, a proposal from the Maritime Transport Council that its representation be revised to form a General Economic Council. Initiators of the proposal recommended inclusion of financial and economic experts from the British Treasury, the Board of Trade, the War Office (Supply Department), and the Ministry of Munitions (Raw Materials Department). The Economic Council would make proposals to Allied Governments based on examination of the need for reconstruction in devastated areas and for mutual assistance among Allies in acquiring food and other commodities.23

The American Government greeted this suggestion with disinterest when it was presented on the same day.24 Although American representatives acknowledged the need for feeding Europeans during the armistice period, they had no enthusiasm for involvement in organs of international economic cooperation without American control.25

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25 Sharp (Ambassador in France) to Secretary of State, 16 December 1918, PPC, 2:666; House to Secretary of State, 8 November 1918, PPC, 2:628.
British responded that if American cooperation in European economic affairs ended, they could not continue to support the purchase of American food at war-time prices. A large food surplus, including 400,000,000 pounds of pork, produced because of guaranteed prices, had already accumulated in the United States. On January 8, the British cancelled their monthly buying orders from the United States. In December, the Italians had withdrawn their January order for 20,000 tons of pork. Hoover had requested that they reconsider, saying that the American Treasury was demanding that he see that the United States pork surplus was sold.

In addition, Hoover was asking for a lessening of European import restrictions on wheat, rye, barley, condensed milk, and other products of American origin. He knew he must make every effort, including the securing of European markets, to protect the guaranteed farm prices in the United States or face the financial ruin of American agriculture.


27 Commission to Negotiate the Peace to Acting Secretary of State, 9 January 1919, PPC, 2:713.


29 Memorandum on Agreement with Allies (undated and unsigned but with accompanying letter of 8 January 1919 to Woodrow Wilson), Hoover Papers, Box 8.
farmers and the rural banks which had granted credit to carry the existing surplus.30

In November 1918, when coordination of the European relief efforts of the United States and the Allies had been discussed, the general view among American leadership was that independence of American action was preferable to cooperation with other nations.31 Wilson wanted to create an organization to deal with the emergency measures needed to save lives and preserve order in Europe with the use of surplus food from the United States.32 In December, House expressed the views of Wilson to the British, saying that Americans wanted a single leadership in the relief efforts and that leadership should come from the country providing most of the resources. He further stated that Wilson wanted to use the surplus food of the United States to relieve European famine. In this manner, House said, the "disorder rapidly sweeping westward" could be stopped.33


32House to Balfour, 16 December 1918, Doc. 70 in Miller, Diary, 2:297.

33House to Lord Derby, 17 December 1918, Doc. 75 in Miller, Diary, 2:306-308.
The British wanted a council of the four leading
governments, France, the United States, Italy, and Great
Britain, to jointly plan for and execute European
relief.\textsuperscript{34} Even in late 1918, House and others maintained
that it was unwise to antagonize the Allies and particularly
Great Britain.\textsuperscript{35} With the cancellations for food orders
coming from European countries, it seemed good business for
America to cooperate with the Allies in European economic
reorganization and avoid a debacle in the domestic
market.\textsuperscript{36}

Soon after the armistice, Wilson had appointed Hoover
to participate in the planning and execution of European
food relief, and British, French, American, and Italian
representatives had met in London. From these discussions
came the idea for a Supreme Council of Supply and
Relief.\textsuperscript{37} The Allies and the United States did not
implement this idea until January 8, the day that the
British cancelled their orders for United States food, when
Hoover requested an immediate economic conference

\textsuperscript{34}Balfour to House, 19 December 1918, Doc. 72 in
Miller, \textit{Diary}, 2:299.

\textsuperscript{35}House to Wilson, 8 November 1918 in Link, \textit{Papers of


\textsuperscript{37}Despatch from Goode.
with the British delegates appointed to this new
council.38 This body, agreed to on December 12, 1918, met
for the first time on January 11, 1919 to examine the
problems of economic transition during the armistice
period. The participating Governments sent their
representatives. Englishmen present were Lord Reading,
British Ambassador to the United States, and John
Beale.39 Hoover, as Director General of Relief, was head
of the council which directed most of its attention to
eastern Europe, sending Allied relief missions to Bucharest,
Constantinople, Warsaw, and Trieste with branches at Prague,
Vienna, Budapest, Belgrade, and Zagreb.40

The new council's purpose was to investigate Europe's
relief needs, organize supply, and determine required
measures for execution of relief.41 It was, however, an
additional body working alongside the remaining war-time
organizations that dealt with shipping, food, and blockade.

38War Cabinet Minutes, 8 January 1919, CAB 23/9,

39H. W. V. Temperley, ed., A History of the Peace
Conference of Paris, 6 vols. (London: Henry Frowde, Hodder,
and Stoughton, 1920-1924), 1:295-296; hereafter cited as
HPCP.

40Despatch from Goode.

41Minutes of Supreme Council of Supply and Relief,
1:1, Supreme Council of Supply and Relief - Supreme Economic
Council, 11 vols. (bound carbons), Hoover Institution
Archives, Palo Alto, Calif.; hereafter cited as SCSR-SEC.
Insufficient coordination of these independent organizations resulted in inefficient relief work. At the request of the Supreme Council of Supply and Relief, the Council of Ten considered a central economic body with wider terms of reference and with authority to execute decisions through coordination of existing Inter-allied organizations.42

Among these organizations were the various commissions and bodies set up to handle relations with Germany. All of them looked for authority to the Inter-allied High Command and, therefore, French Field Marshall Ferdinand Foch.43 Foch's views on Germany, one of the countries in need of food relief, were considered extreme by Lloyd George, Keynes, and other British delegates as well as American General John J. Pershing. Foch's control of the commissions by which the Allies dealt with Germany and commerce in the Rhineland was a threat to British goals and to German economic recovery. His methods, if not his goals, were considered extreme by even Clemenceau and other French delegates. Perhaps, in addition to the need to cooperate with the Allies in order to achieve the sale of the United States' surplus food, the extreme views and actions of Foch

42 Memorandum on Armistice Commissions, App. 77 to SEC Minutes, 7 and 9 April 1919, PPC, 10:147-148.

were a consideration prompting Wilson's February proposal to the Council of Ten, calling for a coordinating body for various relief organizations, as requested by the Supreme Council of Supply and Relief. This proposal, submitted by Wilson on February 8, was the first step in the separation of the supervision of military matters from the supervision of economic endeavors. It read:

i. Under present conditions many questions not primarily of a military character which are arising daily and which are bound to become of increasing importance as the time passes, should be dealt with on behalf of the United States of America and the Allies by civilian representatives of these countries experienced in such questions as finance, food, blockade control, shipping, and raw materials.

ii. To accomplish this there should be constituted at Paris a Supreme Economic Council to deal with such matters for the period of the Armistice. The Council shall absorb, or replace, such other existing Inter-Allied bodies and their powers as it may determine from time to time. The Economic Council shall consist of not more than five representatives of each interested Government.

iii. There shall be added to the present International Permanent Armistice Commission two civilian representatives of each Government, who shall consult with the Allied High Command, but who may report direct to the Supreme Economic Council. 44

In adopting this resolution, the Council of Ten made a clear distinction between military and non-military control, transferring negotiations with Germany of an industrial, economic, financial, or civil nature from the control of the

44Woodrow Wilson's Draft to Supreme War Council, 8 February 1919, PPC, 3:934-935.
Armistice Commission to that of the Supreme Economic Council.\textsuperscript{45} This new body had, in effect, power in economic decisions equal to that of the military leader, Foch.\textsuperscript{46}

Clemenceau apparently made no move to prevent creation of an agency which would reduce the effect of the commissions so carefully developed by Foch and Tirard. The premier was still negotiating the strength and duration of the Rhineland occupation with Lloyd George and Wilson and he knew the value of cooperation in one endeavor to obtain important concessions in another. He had said that it was unlikely he could maintain his position with the Chamber of Deputies if he failed to achieve a strong occupation of the Rhineland. The British ambassador in Paris, Lord Derby, reported his observation that the French were willing to sacrifice greatly in order to get the support of the British for some sort of buffer between them and Germany.\textsuperscript{47} In addition, Foch had challenged Clemenceau's authority both in France and at the Peace Conference, and some delegates in

\textsuperscript{45}Memorandum on Relation of SEC to Armistice Commissions by E. F. Wise, 5 April 1919, PPC, 10:150.


Paris were of the opinion that Clemenceau wanted Foch's authority curbed. Just minutes before Wilson presented his proposal, Clemenceau and Foch had an argument concerning mail delivery in occupied Germany. In anger, Foch had left the meeting with his Chief of Staff, General Maxime Weygand. American Secretary of State Robert Lansing speculated that had Foch remained, he might have stopped the creation of the SEC.48

Although the work of the SEC came to have an impact on matters of greater duration, Wilson's proposal provided for the SEC to address economic problems only in transitory matters. A commission, to be established later, would attend to permanent economic decisions.49 Thus, Clemenceau may have considered the effect of the SEC on French goals to be only temporary. Its functions were:

to examine such economic measures as shall be taken during the period of reconstruction after the war so as to ensure (a) a due supply of materials and other commodities necessary for the restoration of devastated areas; (b) the economic restoration of the countries which have suffered most from the war; (c) the supply of neutral and ex-enemy countries without detriment to the supply of the needs of the Allied and Associated countries.50


49Minute 9, SEC Minutes, 25 February 1919, PPC, 10:124.

50Decisions of Council of Ten, 21 February 1919, App. 20 to Sec Minutes, 6 Mar., 1919, PPC, 10:47.
In function and type of representation, the new council bore a marked resemblance to the one proposed in December by Britain. British Transport Council leadership complained of the loss of valuable time between November and February in beginning internationally organized relief work. Also, the new SEC lacked the British dominance which could have been retained by the conversion of a British controlled war-time Transport Council into a peace-time General Economic Council. Nevertheless, the British Cabinet approved Wilson's proposal.

In the months and years to come, some Peace Conference participants would assess the SEC as a limited body without independent funds or executive powers and with no opportunity to make decisions since the Allies restricted the money voted by their governments to specific purposes. The SEC, they would maintain, held a position divorced from the general organization of the Peace Conference, was never consulted concerning any economic questions, and took no part in drafting economic clauses of the Peace Treaty. Further, the effectiveness of the SEC as a coordinating body in dealing with the economic necessities of Europe was minimal because of the rapid disintegration of national and

51 Salter, Allied Shipping Control, 221-222.
52 War Cabinet Minutes, 24 February 1919, CAB 23/9, PRO.
international controls in the first half of 1919. The fundamental SEC characteristic, according to proponents of this view, was that it dealt only with the transitory problems of the armistice period and in a limited way.⁵³

Even Hoover, who did an enormous amount of work as a leader of the SEC's food relief program, in *Years of Adventure*, spoke disparagingly of the SEC as well as the Supreme Council of Supply and Relief, referring to the latter as a "futile chatterbox." He maintained that the SEC was his idea which he presented to the Council of Four in a fifty word proposal. Yet, he says he used the SEC only for secondary matters while he personally reported directly to the Council of Four.⁵⁴

On the other hand, some observers at the Peace Conference later drew the conclusion that the SEC was a brief economic world government, the greatest adventure ever in peace-time correlation, control, and direction of international trade and finance. They saw two notable achievements of the SEC. By providing the necessities of life in disturbed European countries, the SEC brought stability during a dangerous period of stress and kept the continent from going to pieces around the Peace Conference. This temporary relief gave time for normal economic life to

⁵³HPCP, 1:297-299.

⁵⁴Hoover, *Years of Adventure*, 298-299.
resume. In addition, the SEC accomplished some permanent work, mainly in the area of transport and communications. The SEC, according to this assessment, was one of the olympian bodies of the world.  

As the SEC began its work in early 1919, some British Empire authorities maintained that it would be just another form of control to hamper trade and opposed working through the SEC for goods, supplies, and credits. Robert Borden, Prime Minister of Canada, wanted Canadian and Australian SEC representation and expressed the opinion that British and colonial commercial interests did not receive as much attention in areas such as Trieste as the interests of the Americans and the French did.  

British representatives on the Superior Blockade Council objected to the SEC's absorption of that body, fearing it would simply disappear, and urged strong British representation on the new council. Lloyd George emphasized that the SEC was an aid to British economic interests. He maintained

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55Baker, Wilson and World Settlement, 2:335, 340, 342

56Borden to Lloyd George, 17 February 1919, Lloyd George Papers, F/5/3/11.

57Borden to Lloyd George, 20 March 1919, Lloyd George Papers, F/5/3/22.

58Harmsworth to Cecil, 13 February 1919, FO 382/2369, PRO.

59Cecil to Lloyd George, 20 February 1919, Lloyd George Papers, F/6/6/11.
this body would ease the competition which he said was causing obstacles to trade. The SEC could simplify the problems related to the blockade which Lloyd George said must continue until the establishment of peace.60

The SEC first met on February 10, 1919.61 Its address was 26, Rue de Bassano, Paris.62 Five delegates each from the United States, France, Italy, and the British Empire composed the SEC. Immediately, Belgium requested to send representatives.63 A few weeks later, this request was granted. In the first meetings, the principal representatives of each of the major Allies and the United States presided over the meetings in rotating order. These were Robert Cecil for Great Britain, Etienne Clementel for France, Silvio Crespi for Italy, and Herbert Hoover for the United States.64 Lloyd George indicated his expectations for British influence in the SEC endeavors when he said,

60Lloyd George to Cecil, 20 February 1919, Lloyd George Papers, F/5/3/12,

61Directories of the Peace Conference, PPC, 3:87.

62Letterhead, SEC stationery, FO 608/279, PRO.


64HPCP, 1:299-300.
in a letter to Borden, that Cecil had taken the SEC "in charge." Later, by tacit agreement, Cecil presided over almost all meetings through the month of June.

Robert Cecil, Assistant Foreign Secretary since July 1918, replaced Reading when he had resigned from the Supreme Council of Supply and Relief. Lloyd George, among others, expressed concern that Cecil's not having a ministerial position would be a handicap in working with someone as aggressive as Hoover who, in the United States, held a responsible bureaucratic position. Cecil himself, in accepting British SEC leadership, requested the assistance of a Government minister. Although Cecil often appeared weak politically, Reading maintained he would render admirable service. Among persons available, British blockade authorities saw Cecil as the best choice. He had been Minister of Blockade from February 1916 through July 1918.

65Lloyd George to Borden, 20 February 1919, Lloyd George Papers, F/5/3/12.

66HPCP, 1:299-300.

67Telephone conversation between Lloyd George and Bonar Law, 27 January 1919, Lloyd George Papers, F/30/3/5.

68Cecil to Lloyd George, 8 February 1919, Lloyd George Papers, F/6/6/9.

69Bonar Law to Lloyd George, 25 January 1919, Lloyd George Papers, F/30/3/5.

70Harmsworth to Lloyd George, 4 February 1919, Lloyd George Papers, F/21/1/7.
Lloyd George, reportedly, had not wanted Cecil in the Government but felt compelled to take him to please the Unionists, with whom Cecil had influence.\textsuperscript{71} It is possible he wanted him to have leadership of the SEC for the same reason. In selecting delegates and assigning their duties, Lloyd George had to remember that he represented a coalition of political parties, consisting mostly of Conservatives with a substantial Liberal group and some Labour party members who represented the Trade Union vote.\textsuperscript{72}

The Cabinet approved Cecil as the principal British representative on the SEC.\textsuperscript{73} They stipulated that further British representation on the SEC should include the Chancellor of the Exchequer, the President of the Board of Trade, the Food Controller, the Shipping Controller, and Cecil Harmsworth of the Blockade Department or the deputies of these people.\textsuperscript{74} At Cecil's suggestion, they called for


\textsuperscript{73}War Cabinet Minutes, 24 February 1919, CAB 23/9, PRO.

\textsuperscript{74}British Empire Delegation Minutes, 27 February 1919, CAB/29/28, PRO.
a British Committee and a Dominions Committee to advise British SEC delegates on British policy to be pursued through the SEC. The dominions wanted influence at the Peace Conference equal to that of Britain. With Cabinet approval, and at the request of representatives from the dominions who did not wish to be separated from other British representation in decision making, the British Empire Delegation combined these two committees. In March, this single committee became known as the British Empire Economic Committee (BEEC). Composed of representatives of the Treasury, the Board of Trade, the Ministry of Food, the Foreign Office, the Colonial Office and any other British departments involved in SEC business, this committee met weekly, with Cecil as chairman, to plan for appropriate British action in connection with SEC work.

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75 War Cabinet Minutes, 24 February 1919, CAB 23/9, PRO.

76 Council of Ten Minutes, 21 February 1919, PPC, 4:62.

77 British Empire Delegation Minutes, 27 February 1919, CAB 29/28, PRO; War Cabinet Minutes, 6 March 1919, CAB 23/9, PRO.

78 BEEC Minutes, 17 March 1919, FO 608/75, PRO.

79 Cecil to Lloyd George, 20 February 1919, Lloyd George Papers, F/6/6/11.
The BEEC sought to relate SEC relief work to the drafting of the economic clauses of the peace treaty.\(^8^0\) In addition, its members were regularly informed of proposals for the preliminary terms of peace.\(^8^1\) SEC members either served on commissions which were negotiating settlements or were continually in contact with British members of the various commissions, obtaining copies of their minutes, observing conclusions on peace terms, and assessing their impact on SEC work.\(^8^2\) In addition, Lloyd George continued to stress the need for easing British trade difficulties and encouraged the BEEC to pursue this goal through the SEC.\(^8^3\)

In keeping with the Cabinet's directive, British representation on the SEC was powerful. Maynard Keynes, Treasury official and deputy to Austen Chamberlain, represented the Chancellor of the Exchequer. Chamberlain informed Cecil that he wanted the SEC to make no decision without Keynes's approval.\(^8^4\) Edward Frank Wise, as an

\(^8^0\)British Committee of SEC Minutes, 28 February 1919, FO 608/75, PRO.

\(^8^1\)BEEC Minutes, 7 March 1919, FO 608/75, PRO.

\(^8^2\)BEEC Minutes, 28 March 1919, FO 608/75, PRO.

\(^8^3\)Lloyd George to Cecil, 20 February 1919, Lloyd George Papers, F/6/6/12.

\(^8^4\)Cecil to Lloyd George, 20 February 1919, Lloyd George Papers, F/6/6/11.
Assistant Secretary, represented Britain's new Ministry of Food. Cecil Harmsworth was the strong British representative for blockade concerns and William Mitchell-Thomson was his alternate. Hubert Llewellyn Smith, Parliamentary Secretary for the Board of Trade, represented that department. J. A. Salter, leader in the war-time Maritime Transport Council, represented the Ministry of Shipping and served as secretary to the British Delegation of the SEC. Other British participants were selected from a panel of British Empire delegates according to the business under discussion at each meeting. One of the most active was William Goode, of the Food Ministry, who served on the SEC Food Section from its beginning.

With its personnel thus organized, Britain met with other Allied nations represented on the SEC on February 17. Clementel suggested SEC coordination of the Maritime Transport Council, the Inter-Allied Food Council, the

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85 Note on Food Supplies for Left Bank of Rhine to Cabinet from E. F. Wise, 1 March 1919, Lloyd George Papers, F/8/3/6.

86 Curzon to Mitchell-Thomson, 25 February 1919, FO 382/2371, PRO.

87 Contents, Lloyd George Papers, F/1-5.

88 Cecil to Lloyd George, 26 April 1919, Lloyd George Papers, F/6/6/35.

89 HPCP, 1:299.

90 Despatch from Goode.
Supreme Council of Supply and Relief, the Superior Blockade Council, and the Programme Committees. Cecil proposed retention of all current relief organizations, with the SEC receiving their decisions as well as questions lacking an agreed answer and giving any necessary directions. Cecil’s proposal was adopted and the SEC began the endeavor of coordinating Allied relief efforts already operative and the examination of reconstruction needs that were unaddressed.\textsuperscript{91}

On February 25, the SEC delegates arranged a more workable structure in which to function. They adopted an American proposal to divide their work among six sections, each with a permanent chairman and a secretary.\textsuperscript{92} These sections met weekly and reported their recommendations to the full council which also met weekly.\textsuperscript{93} The sections and their chairmen were:

<table>
<thead>
<tr>
<th>Section</th>
<th>Chairman</th>
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<tbody>
<tr>
<td>Food Section</td>
<td>Herbert Hoover, U.S.A.</td>
</tr>
<tr>
<td>Finance Section</td>
<td>Norman Davies, U.S.A.</td>
</tr>
<tr>
<td>Communications Section</td>
<td>Harry O. Mance, U.K.</td>
</tr>
<tr>
<td>Raw Materials Section</td>
<td>Louis Loucheur, France</td>
</tr>
<tr>
<td>Blockade Section</td>
<td>Vance McCormick, U.S.A.</td>
</tr>
<tr>
<td>Shipping Section</td>
<td>Kembell Cooke, U.K.</td>
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</tbody>
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The nationality of the section chairmen and of Robert Cecil,\textsuperscript{91}Minute 1, SEC Minutes, 17 February 1919, PPC, 10:1-2.\textsuperscript{92}Minute 9, SEC Minutes, 25 February 1919, PPC, 10:4-5.\textsuperscript{93}HPCP, 1:300.
chairman of the SEC, demonstrate that, at the Peace Conference, economic control rested primarily with Britain and the United States, the dominant economic powers among the countries represented. With the SEC thus organized, British representatives in each section participated also in the BEEC.

Some of the extant Inter-allied bodies simply changed from an old name to the name of one of the sections. Other sections were created as new organizations. According to the American proposal, the Supreme Council of Supply and Relief became the Food Section with the Inter-allied Food Council continuing as a sub-committee. The Allied Maritime Transport Council became the Transport or Shipping Section. Participating governments designated delegates to form Raw Materials and Finance Sections. The Supreme Blockade Council became the Blockade Section. The Communications Section was the SEC's response to a February 17 report from British delegates in which General Harry Osborne Mance

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95BEEC Minutes, 28 February 1919, FO 608/75, PRO.
97Minute 9, SEC Minutes, 25 February 1919, PPC, 10:4-5.
98HPCP, 1:299.
stated that transportation in southeastern Europe was in danger of a complete breakdown. 99

For the next five months, the bulk of the SEC's work lay in addressing the problems of providing relief and reconstruction in war-torn countries in eastern and central Europe and feeding Germany in accordance with armistice terms. While handling these two enormous tasks, the SEC reported directly to the Council of Four, just like the Council of Foreign Ministers did. 100 At first, the SEC consulted the Council of Ten regularly before executing its decisions. On March 5, however, the Council ruled, at Arthur Balfour's suggestion, that the SEC, in dealing with transitory economic matters possessed full executive authority. 101 Eventually, the SEC came to advise the Supreme Council in general matters of economics while carrying on economic business at its own discretion. 102

Throughout the spring of 1919, SEC work proceeded with varying motives including the humanitarian impulse, the desire to sell goods, the search for access to raw materials, and the drive to maintain order in western Europe.

99Minute 2, SEC Minutes, 17 February 1919, PPC, 10:2.
100HPCP, 1:297-300.
101Council of Foreign Ministers, 5 March 1919, PPC, 4:199.
102Memorandum on League of Nations, M.P.A. Hankey to Lloyd George, 12 May 1920, Lloyd George Papers, F/24/2/32.
and stem the tide of Bolshevism. Individual views, reflecting national economic philosophies, emerged among the representatives as they approached their tasks.\textsuperscript{103}

Americans were strong advocates of the SEC as a temporary organization for the purpose of feeding starving people, preventing revolutionary disorders, and setting Europe on its feet again. The French never considered the economic rehabilitation of Europe a general problem requiring international sharing. They favored the SEC as an organ of Allied cooperation against Germany. Italy's economic dependence motivated its cooperation in providing relief.\textsuperscript{104}

The SEC, according to British participants, was an opportunity for humanitarian service and a vehicle for selling goods on hand, for acquiring essential raw materials such as oil, and for strengthening the eastern and central European states in an effort to establish a European balance of power conducive to Britain's interests. These motivations were evident from the first meetings of the SEC sections. Through the Supreme Council of Supply and Relief, and later the Food Section, the British Government demonstrated eagerness to sell surplus food, some of it with

\textsuperscript{103}Baker, Wilson and World Settlement, 2:322-323.
\textsuperscript{104}Ibid., 2:354, 366.
very little sale value in Britain, to the new European countries.\textsuperscript{105} Also, in BEEC meetings, Trade Department leaders advocated requiring Germany to buy the surplus stocks of raw materials held by the Allies, with an article in the treaty to insure this transaction.\textsuperscript{106} A prerequisite for removal of the blockade, they maintained, should be assurance in the treaty for this sale.\textsuperscript{107}

There was also hope for settlement of permanent British economic interests through the work of the SEC. It offered an opportunity to "nurse international trade back to normal."\textsuperscript{108} In addition, British General Harry O. Mance, chairman of the SEC's Communications Section, wanted a clause in the treaty to maintain control of railways in ex-enemy and liberated territories.\textsuperscript{109} Railways were crucial to the development of trade. As early as November, Britain had made a significant monetary contribution to

\textsuperscript{105}See Minutes of Supreme Council of Supply and Relief, 2 February 1919 - 14 February 1919, SCSR-SEC, 1:52-57; Minutes of Food Section, 27 February 1919 - 11 March 1919, SCSR-SEC, 7:4-18.

\textsuperscript{106}BEEC Minutes, 27 March 1919, FO 608/75, PRO.

\textsuperscript{107}Report on Economic Terms of the Peace, BEEC Minutes, 28 March 1919, FO 608/75, PRO.


\textsuperscript{109}BEEC Minutes, 7 March 1919, FO 608/75, PRO.
railway repair in eastern and central Europe, particularly in Rumania.\textsuperscript{110}

Although the conservative voice was present, liberal leadership dominated British representation on the SEC.\textsuperscript{111} Keynes, in fact, described the SEC as a "little nest of liberalism in the Paris wilderness."\textsuperscript{112} Liberals maintained that continued and active international economic cooperation must exist, including the restoration of Germany as an essential element in European economic life. American SEC representatives maintained that trade and industry would stabilize normally without permanent governmental involvement and with removal of war-time restrictions such as the blockade. The French advocated negative action against Germany. The British believed that positive governmental action was essential for achievement of normal trade restoration.\textsuperscript{113} In the SEC, they saw an aid for reaching this goal and assuring for Britain a place of leadership in world economics.

\textsuperscript{110}Communications Section Report, 5 April 1919, App. 66 to SEC Minutes, 7 and 9 April 1919, \textit{PPC}, 10:132.


CHAPTER VI

THE BRUSSELS AGREEMENT

Because of the gravity of Germany's food shortages and the importance of Germany's economic condition to Allied goals, the SEC, immediately following its inception, tackled the task of food provision for Germany. Among the challenges to this endeavor were arranging with the Germans for the receipt of their ships prior to the delivery of the food and of obtaining Allied agreement concerning the amount and the method of payment for this food. Through the work of Keynes, in conducting financial studies and making recommendations, and of Wise, in investigating, reporting, and recommending solutions for specific problems, the British occupied a position of leadership in the SEC's efforts to adequately feed Germany in the spring of 1919. As SEC delegates participated in this task, they were mindful of Lloyd George's instructions to attend to British commercial interests.

With the beginning of the armistice period, urgent requests came from the new German Government for food. German leaders maintained that without food, their country
would be in a state of anarchy and the spread of Bolshevism would accelerate. At the January conference for armistice renewal held in Treves, the Allies and the United States had arranged to permit Germany to import 270,000 tons of food and for Germany to hand over its merchant fleet to the Allies. They would use this fleet in providing relief to Germany and other countries in eastern Europe. These plans proved abortive, however, because of problems involving both German tonnage and German finance.

On March 4-6, therefore, SEC delegates, led by British Rear-Admiral George Hope, met the Germans at Spa in a new effort to facilitate food deliveries. Here the Permanent Inter-allied Armistice Commission was convening daily at the Hotel Britannique and negotiations took place between Germany and the Allies concerning prisoner repatriation as well as surrender of German mercantile, agricultural, transportation, and war materials, and other financial and commercial matters. To this March meeting, the Shipping, Blockade, and Finance Sections, under the direction of


Hoover and Cecil, sent statements for use as the basis of negotiations with Germany. The Shipping Section demanded that Germany immediately surrender its merchant fleet, including ships in neutral ports, according to the Treves Agreement of January 17. These ships were to go to sea under Allied flags. For the time being, the Associated Governments excepted sailing vessels and vessels under 1600 tons with no passenger accommodations. The German Government, not the ship owners, would receive the rate of hire and apply it to payment for Germany's food.

The Finance Section, following the wishes of British and American delegates on a still unsettled question, stated that Germany must pay for all food with cash. The Associated Governments would grant no loans to Germany. They would allow loans from institutions or individuals in neutral countries with SEC approval, provided the Germans applied the money to payment for food. The Blockade Section promised guidelines for German exports from the Raw Materials Section so that Germany could plan appropriately for exports to provide money for food.

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The Associated Governments anticipated receipt of German assets such as foreign securities, coal, potash, dyes, timber, and proceeds from cargoes sold in neutral ports. Because of this, in addition to the 270,000 tons of food already arranged at a cost of £6,000,000, the Allies and the United States were willing to furnish food at a value of £11,000,000 if the Germans would deposit gold in the National Bank of Belgium as collateral. The Associated Governments would return this gold upon receipt of the above German assets. Technically, the Associated Governments did not classify this advance of food before receipt of money as a loan. Germany would eventually regain the gold used as collateral for food, although only temporarily since reparations would soon claim much of it.

The Rhineland, under the authority of the High Command, was to receive an appropriate percentage of any money available to Germany for food. Since the beginning of the November Armistice, occupation armies had supplied food to the Rhenish population in exchange for German marks. This was an emergency measure to insure that no disorder from want of food would occur in the occupied area.4

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4 Instructions to Delegates at Spa Concerning Blockade, Finance, and Shipping, Appendices 13, 14, 15 to SEC Minutes, 1 and 3 March 1919, PPC, 10:34-39; See also Henry T. Allen, The Rhineland Occupation (Indianapolis: Bobbs-Merrill Co., 1927).
The meeting with the Germans in Spa became deadlocked almost immediately. Before surrendering their ships, the German delegates demanded a contract stating prices and quantities of food Germany would receive up to the harvest. They were willing to release a specified number of ships in exchange for the 270,000 tons of food, arranged in January, and said they would make further specified deliveries of tonnage in exchange for further specified quantities of food. SEC delegates responded that the release of ships proportionate to food delivery would make it impossible for them to plan effectively for Germany's food supply. This position appears difficult to support. With the Associated Governments controlling Germany's food supplies, it is unlikely the Germans would hold up ships if the food continued to come as arranged.

Wise led British delegates in demanding that Germany immediately release all ships, as agreed in the January Armistice, before receiving food for which it had already paid through arrangements made in January at Treves. The

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5Report on Meeting at Spa, 4 and 5 March 1919, Concerning Revictualling Germany from Rear Admiral G. Hope [6 March 1919], App. 21 to SEC Minutes, 7 March 1919, PPC, 10:50.

Germans, he said, must convince the Allies of their sincere intention to release their ships before plans for deliveries could begin. Following the German refusal to accept these terms, Wise sent a wire to British Food Ministry official and SEC representative William Goode in Paris, stating that the Allied delegates would return from Spa to Paris on Thursday evening March 6, and he suggested an SEC meeting the following morning.

The SEC held that emergency meeting at noon. British, French, and American delegates offered proposals which were forwarded to the Supreme War Council for their review. Although the proposals differed in detail, all advanced the solution of supplying food to Germany in proportion to the number of ships sent out. On March 8, SEC representatives met with Clemenceau, Lloyd George, and other officials of the Associated Governments. The chief delegates accepted the SEC's suggestions concerning the supply of food in ratio to the release of ships.

They did not agree, however, on the means of German payment for the food. Clemenceau insisted the Germans

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7Resolution on Food Supplies to Germany, App. 15 to SEC Minutes, 6 March 1919, PPC, 10:43-44.

8Wise to Goode, 6 March 1919, App. 16 to SEC Minutes, 6 March, 1919, PPC, 10:44.

9SEC Minutes, 7 March 1919, PPC, 10:48.

10SEC Minutes, 7 March 1919, PPC, 10:53-55.
should pay with manufactured exports while Lloyd George insisted that hungry Germans could not work and must have immediate relief for which only payment in gold was available. After a heated discussion, and partly because of the moderation of some French delegates such as French Minister of Industrial Reconstruction Louis Loucheur, the French agreed to the British position.¹¹

The Associated Governments instructed the SEC delegates to agree to the delivery of the 270,000 tons of food for which Germany had already paid as soon as Germany demonstrated a sincere intention to turn over her fleet to the Allies and the United States for use in the relief program. In addition, Germany could import 370,000 tons of food monthly up to September 1. They recommended payment for the food by cash obtained through the hire of their ships, by the export of commodities, by the sale of cargoes on German ships currently in neutral ports, by loans from neutral countries, and by advances against the use of properties in foreign countries. Germany could use its gold as collateral for loans for food but must free this gold as soon as other means of payment could be found. Germany could not exchange its gold for food until it had exhausted the above means of obtaining cash and then only with the

approval of the Associated Governments. Thus, even though the Allies and the United States decided on March 8 that gold was an acceptable exchange for food, they wanted Germany to use all other possible resources first.\(^{12}\)

That same day, American SEC delegate Vance McCormick noted in his diary that returning a proposal to the Germans which was so similar to the one they had demanded at Spa would appear to be an acknowledgement that the first Allied requests were unfair.\(^{13}\) The Associated Governments had agreed to provide food for the Germans in proportion to the number of ships sent out and, as a last resort, to allow use of German gold for payment. In addition, the Germans got a specified monthly amount of food in a manner similar to the contract they had wanted.

To present these proposals to the Germans, the Associated Governments planned a conference in Brussels to which each of them would send a maximum of three representatives.\(^{14}\) Admiral Sir Rosslyn Wemyss, First Sea Lord of the British Admiralty, was the principal representative of the Allied and Associated powers.\(^{15}\) It

\(^{12}\) *Instructions from Supreme War Council, App. 27 to SEC Minutes, 10 March 1919, PPC, 10:59-62.*

\(^{13}\) *Quoted in Bane and Lutz, *Blockade of Germany After the Armistice*, 221.

\(^{14}\) *SEC Minutes, 10 March 1919, PPC, 10:57-58.*

\(^{15}\) *Instructions from Supreme War Council, App. 27 to SEC Minutes, 10 March 1919, PPC, 10:61.*
was, however, Keynes and Hoover who assumed leadership in the negotiations there.16

Meeting in Brussels, on March 13 and 14, the SEC, representing the Associated Governments, made arrangements with the Germans covering food, finance, and shipping to serve as the basis for the revictualling of Germany through August 1919.17 The Germans agreed to deliver all ships over 2500 tons gross while the Allies and the United States agreed to consider exemption of ships between 1600 and 2500 tons. Under supervision of the SEC, Germany could import from neighboring neutrals the 270,000 tons of food arranged for at Treves. The SEC would furnish facilities for the monthly import and purchase of 300,000 tons of breadstuffs and 70,000 tons of fats, including pork products, vegetable oil, and condensed milk, until September 1. There was no restriction on fish caught in European waters and the ships retained by the Germans were suitable for fishing. The Allies specified that Germans who would not work, although able, were to receive none of the food.

Germany must pay in cash immediately for all provisions delivered. Proceeds from German exports, according to categories later specified, must be applied to payment for

16Schwabe, Woodrow Wilson, Revolutionary Germany and Peacemaking, 206.

17HPCP, 1:317-318.
food. An Inter-Allied Food Commission at Rotterdam, referring questions of policy to the SEC Food Section, would inform the German Government concerning prices and general commercial arrangements.18

The German delegates asked for the retention of specific vessels for repatriation of German troops and prisoners of war, for Allied employment of German crews for German ships, especially on those vessels in distant ports, for the exemption of ships under construction, and for the use of some tonnage for export trade. The representatives of the Allies and the United States responded that all of these matters would be left to the discretion of the Associated Governments. They did promise the availability of ships, in outward voyage or by some other means, for German exports.19

On December 13, Matthias Erzberger, who represented Germany on the Permanent Inter-allied Armistice Commission, had discussed the release of German ships with Foch. Foch had told him that Hoover must have control of the ships for the European relief program, including provisions for Germany. Erzberger wanted to know the extent and the

19 Ibid., 2:201-208.
duration of the Allied control. He also asked Foch about the future of the German crews. Foch had responded that the Allied governments would decide all of these matters.\textsuperscript{20} The January Armistice specified that the Allies and the United States would dismiss the German crews entirely or in part as they saw fit and that they would repatriate them to Germany.\textsuperscript{21}

While at the Brussels conference, the Allies also agreed in principle to use proceeds from Rhineland exports as payment for food. Provisions for occupied Germany were to be the same as for the unoccupied portion of the country. In assigning rations, they would take into consideration the indigenous supplies of the Rhineland. Foch opposed this economic unification of occupied and unoccupied Germany. It reversed many of the earlier accomplishments he had made, with the help of Tirard, in the drive to orient the Rhenish economy away from unoccupied Germany and toward France. His opposition, while a hindrance, was unsuccessful. The execution of the Brussels

\textsuperscript{20}Matthias Erzberger, \textit{Erlebnisse im Weltkrieg} (Berlin: Deutsche Berlags-Unstalt, 1920), 346-347.

\textsuperscript{21}Convention Prolonging the Armistice with Germany, 16 January 1919, \textit{HCPC}, 1:480.
Agreement demanded the treatment of occupied and unoccupied Germany as an entity.22

As promised, the Raw Materials Section, in mid-March, classified German exports into categories. First was the prohibited list including war material or products, gold or silver, and securities. The second list contained goods which must first be offered to the United States, Italy, France, Britain, and Belgium at fixed prices and included coal and its derivatives, wood and its derivatives, nitrogenous chemicals, potash, and window glass. A third group of items included those which neutral countries might import if not desired by the Allies and these were iron, sugars, glass and glass articles, lime and cements, electrical machines and parts, material for industries, and railway materials. Germans could freely export articles not included in the above lists.23

The SEC allowed private remittances to Germany only when applied directly to payment for food.24

Philanthropic societies or individuals could give, but were

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23Resolution of Raw Materials Section, App. 31 to SEC Minutes, 17 March 1919, PPC, 10:71-73.

24SEC Minutes, 22 April 1919, PPC, 10:178.
not allowed to sell, food, medicine, clothing, and other relief supplies. In the first months of 1919, Germany relied on charitable donations, many from Scandinavia, for supplements to her food supply.

Even though German negotiators found it necessary to draw on the last financial reserves of their country for food, Germany did manage to avert famine. They never actually ran out of food. To people like German Foreign Minister Brockdorff-Rantzau, the results of the negotiations confirmed that the threat of a state of anarchy or of a Bolshevik take-over, presented by them since the first days of the armistice, was a convincing one when dealing with the Allies. Further, the provision of food only for those willing to work strengthened the Government's hand against strikers.

Essentially, the Germans achieved a contract with the Allies, although not the one they had wanted. Any contractual advantages were on the side of the Associated Governments. The Germans must pay the amount specified by the Allies and accept any food provided since the SEC announced three days following the Brussels conference that


Allied invoices indicating quality and quantity of the food would be final.\textsuperscript{28}

As for Allied interests, the Brussels Agreement settled the transfer of German ships. The British and Americans were pleased that it strengthened economic ties between the Rhineland and unoccupied Germany. Remaining obstacles the SEC encountered as it administered the Brussels Agreement were German finances and blockade restrictions.

Cecil had been among the first to call for the elimination of the blockade. This view was, of course, not unanimous among Britons. For instance, Mitchell-Thomson, Harmsworth's alternate on the Blockade Section, complained to Cecil that while he wished to avoid a show of difference in British opinion in an SEC meeting by registering dissent, he wanted the blockade maintained. Saying that the blockade had enfeebled Germany, he saw it as insuring that Germany would accept the treaty. Further, Mitchell-Thomson and others advocated advancing Allied trade interests, particularly British, through continuation of the blockade.\textsuperscript{29} In late March and April, however, the House of Commons cited the blockade as harmful to British industry

\textsuperscript{28}SEC Minutes, 17 March 1919, PPC, 10:65-66.

\textsuperscript{29}Mitchell-Thomson to Cecil, 23 April 1919, David Lloyd George Papers, House of Lords Record Office, London, F/45/4/1.
and enterprise. Representatives of trade and business interests wanted the war-time restrictions lifted so that Britain's export trade could grow and the national budget balance.\(^{30}\)

The Council of Four, in early May, opposed an SEC proposal for the immediate lifting of the blockade as premature.\(^{31}\) On May 9, however, in a joint conference of the Council of Four and the principal SEC delegates, the Allies and the United States decided to lift the blockade as soon as the peace was signed.\(^{32}\) In fact, fulfillment of the Brussels Agreement over the weeks had, by this time, required a reduction in blockade restrictions. When the Germans signed the peace treaty at Versailles on June 28, only a skeleton of the blockade remained. All the machinery, however, was intact and ready for reimposition in the event the Germans refused to sign it.\(^{33}\)

Effective April 1, the SEC suspended all enemy trade and black lists remaining from the war.\(^{34}\) The Raw Materials Section, on April 4, gave its approval to the sale


\(^{31}\)Lloyd George to Cecil, 2 May 1919, Lloyd George Papers, F/6/6/39.


\(^{33}\)HPCP, 2:321,325.

\(^{34}\)SEC Minutes, 7 and 9 April 1919, PPC, 10:108.
of surplus stocks of raw materials, held by the Allies, to the German Government at agreed prices. Thus, Britain was able to achieve a major goal of the Trade Department, discussed in the BEEC meetings, through the SEC.

Even as the war-time blockade of Germany was gradually breaking down, a de facto financial blockade grew. As a result, the Finance Section spent most of its time studying and testing proposals to pay for German food. The disorder within Germany and the money already owed to neutrals eliminated the possibility of new loans. Lack of raw materials, the collapse of transportation inside Germany, and revolutionary unrest prevented production of goods for export. The Allies had anticipated a credit balance for Germans through the use of their tonnage. In fact, freight charges for carrying German supplies and expenditures for bunkering and repairs resulted in a debit on the food account. Few resources were available from sale of German securities during the tenure of the Brussels Agreement. The Allies, as well as Germans, were reluctant to export German gold in large quantities. While the British and Americans wanted Germany to have capital for industrial

35Resolution Concerning Surplus Raw Materials, App. 81 to SEC Minutes, 14 April 1919, PPC, 10:164.

36HPCP, 1:303.

37Ibid., 1:316-317.
investment and wanted it to become an international trading nation, the French wanted Germany's gold to be available for reparations. The American Congress and the British Parliament had voted European relief loans which excluded Germany, thus barring finance of German food by long-term credits.38

While fulfilling the Brussels Agreement, Keynes, representing the Finance Section, recommended that the German Government send a small committee to Versailles to confer on all financial questions. This committee was not to exceed six members, including secretaries, and would provide a regular channel of communications between the Germans and the SEC.39 Wilson's proposal had called for assignment of SEC representatives to the Permanent Inter-allied Armistice Commission through which Allied communications with the Germans had passed since the beginning of the November Armistice. The proposed SEC representation failed to materialize, however, and military representatives to the armistice commission customarily referred economic questions to the SEC.40 The committee proposed by Keynes would provide the SEC with direct access

40HPGP, 1:297.
to the Germans for economic discussions and make SEC representation on the armistice commission unnecessary.

For consultation concerning future commercial relations between Germany and neutral countries, the Finance Section requested that representatives from Sweden, Norway, Denmark, Holland, and Switzerland be available. Neutral states had valid reasons for desiring representation in these meetings. Food destined for Germany was to pass through Holland, a neutral country, with Allied supervision of the Rotterdam Food Commission. Further, remnants of the blockade and the black lists affected the economies of these states. Some neutrals held large stocks of surplus food of inferior quality which Germans had forced them to buy during the war. They were soon to appeal to the British for help in selling this food back to the Germans. Also, neutrals wanted to sell such items as Norwegian fish in return for German gold and expressed fear that Allies and the United States wanted to "unload" their own stocks before neutrals had a chance to sell.

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42 Calthrop to Waterlow, 6 April 1919, FO 608/280, PRO.

43 Harmsworth to [Foreign Office], 8 February 1919, FO 382/2370, PRO.
Indeed, the victorious powers were concerned with selling their surplus products. In late 1918, Hoover was arranging for United States food to be delivered to strategic ports in Europe for food relief. He told Wilson he hoped to maintain constant transport and a "regular drain" of the American surplus. The desire to sell American food to European countries during the post-war crisis was a point of discussion in the United States Congress on January 13. Senators and Representatives expressed sympathy for starving Europeans, although the opinion that the United States should come to their aid was not unanimous. There was also a concern for the effect of the current food surplus on the United States market. Congressmen maintained that their country must dispose of this surplus and that the European relief endeavor would provide a good vehicle for achieving this goal.

Against the wishes of Foch and without his knowledge, Keynes gained approval from the armistice commission for the creation of the new German Economic Commission to deal directly with the SEC in financial matters. Journeys to


Treves and Spa were time-consuming, he said, for himself and other SEC delegates. In requesting the creation of this committee, Keynes had unanimous SEC endorsement. Foch, however, appealed to the Council of Four, unsuccessfully registering his disapproval. It is likely that he failed to gain the support of Clemenceau, because the French premier, at least according to some Peace Conference participants, wanted to curb Foch. The French right, to whom Foch was a hero, was at this time seeking to force Clemenceau to give assurances that Germany would pay the full cost of the war, including the reparation of damage to persons and property.

In March, the German Economic Commission was established at Chateau Villette, near Paris, and beginning in April it was stationed at Versailles. Although some communication on economic matters still passed between the German Government and the armistice commission, the Versailles headquarters of the German Economic Commission


47 Keynes to Hankey, 24 March 1919, Lloyd George Papers, F/23/4/43.

became the scene of most economic negotiations between the Germans and the Allies. 49

In the January conference at Treves, Carl Melchior, head of the German financial delegation, had expressed hope that future discussions between German and Allied economic and financial delegates might occur away from the scrutiny of military authorities and armistice negotiators. He emphasized the civilian status of German financial delegates and asked for civilian representation from Allied and Associated Governments. 50 The Germans organized their commission into sections to deal with food, finance, raw materials and the occupied territory and Melchior was president. 51 By mid-April, all except military communications passed through Wise, representing the SEC. 52 On April 21, the Council of Four formally approved the German Economic Commission. 53

49 Memorandum on Relation of Armistice Commissions to SEC by E. F. Wise, 5 April 1919, App. 77 to SEC Minutes, 7 and 9 April 1919, PPC, 10:148-149.
50 Keynes, Activities, 309.
51 Note on Commissions with German Economic Delegation, 21 May 1919, App. 154 to SEC Minutes, 26 May, 1919, PPC, 10:298.
52 Memorandum on Relation of Armistice Commissions to SEC by E. F. Wise, 17 April 1919, FO 608/280, PRO.
53 Memorandum to Council of Ten, App. 108 to SEC Minutes, 15 April 1919, PPC, 10:209; SEC Minutes, 22 April 1919, PPC, 10:181.
Meanwhile, the SEC Finance Section announced an order of priority for the use of any available German assets. They recommended first consideration be given to maintenance of the occupation armies, next to import of food and raw materials, and last to reparations. David Hunter Miller, American legal expert at the Peace Conference, said that it was at United States insistence that the occupation armies were at the top of this list. The American position, he said, was related to a disagreement between Foch and Pershing, as well as others, concerning the translation of the French word, "entretien," used in the November Armistice with reference to the occupation armies in Germany. Pershing wanted all costs to be covered under maintenance while Foch requested that only feeding and quartering be considered maintenance and other occupation army expenses be placed in the category of "costs of the war." War costs were subject to arrangement in an order of priority based on urgency and would be affected by other financial decisions of the Peace Conference such as the amount of reparations. The average daily cost of the American

54BEEC Minutes, 4 April 1919, FO 608/75, PRO.


Army was approximately four times greater than that of the French Army. With no interest in reparations, the United States had no assurance of recovering expenditures under "costs of war," while Foch had no wish to see Germany's available assets go to the upkeep of the American Army instead of being held for reparations.

The United States and Great Britain had asked earlier that the words "total cost" be substituted for "cost of maintenance" since this would make it possible to recover total occupation army costs immediately. The Council of Four reviewed the correspondence between Foch and Pershing on April 15. Their decision was that all possible charges, such as upkeep, pay, and transportation must be a part of maintenance and that this charge would come first from any assets collected from Germany.

An order of priority, however, did not address the fundamental problems of credits needed for raw materials and of investments needed for export production by Germany and other countries with devastated economies. Cecil, in early

57 Miller, "Cost of American Troops on the Rhine."
59 Miller, "Cost of American Troops on the Rhine."
60 Council of Foreign Ministers Minutes, 15 April 1919, PPC, 4:549-550.
April, was calling for a more clearly defined and comprehensive program concerning finance. The SEC was wrestling with problems that depended for their solutions on decisions of the Council of Four on larger financial problems. Created to administer temporary assistance, the SEC was finding it impossible to separate temporary problems from permanent ones. Permanent problems affecting the revictualling of Germany included international debts and their effect on the future credit of European countries, on reparations, and on access to raw materials.

British SEC delegates maintained the problem of financing German relief, much less European relief, was too great for the private enterprise advocated by the United States, and they proposed reviving the credit system of Europe to provide capital investments needed for exports. They advocated international cooperation to enable countries with credit temporarily destroyed to trade on prospects of reparation receipts or future export increases.

The preponderant view among the British was that all war debts were an obstacle in the way of international trade.

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62 Lord Derby to Curzon, 21 February 1919, FO 382/2370, PRO.
relations. The British Treasury wanted to be rid of them.\textsuperscript{64} A universal debt cancellation, however, although to Britain's advantage, would not gain United States approval and, in addition, would not provide the desperately needed capital for new European states.

Keynes endeavored to accomplish the tasks assigned to the SEC Finance Section and to attend to the interests of the British Treasury by proposing a large bond issue on the part of enemy and new states to be guaranteed by Allied and neutral powers. Proceeds from the bonds were to be divided with 80 per cent applied to payment of reparations and 20 per cent for purchase of raw materials. Moreover, the bonds could be applied to all indebtedness between Allied and Associated Governments. The United States objected. Passed from hand to hand, these bonds could abolish most Inter-allied debts, leaving the ultimate holders as the direct creditors of Germany. America, as the biggest lender and the one with no debts, would be left to collect from Germany the reparations in which she had no interest. Lloyd George and Austen Chamberlain were unable to gain American acceptance for the plan.\textsuperscript{65}

\textsuperscript{64}Chamberlain to Cabinet on Inter-Allied and Anglo-American Debts, 12 May 1920, Austen Chamberlain Papers, University of Birmingham, Birmingham, England, AC 34/1/107.

Wilson, in a letter to Lloyd George in early May, said the Keynes plan was unsound economically and that the United States Congress would not put a federal guarantee on bonds of European origin. He criticized the Allies for presenting a new plan to give Germany working capital while taking capital away for reparations. The Allies, Wilson said, wanted the United States to replace the funds they would take from Germany for reparations.66 In the Council of Four meetings, when Lloyd George had asked for consideration of the Keynes plan, Wilson had responded by saying that raising the blockade would be a large factor in solving Europe's economic problems.67

The Keynes plan was the British solution to the German dilemma and to the negative influence of war debts on world-wide financial stability.68 For a brief time, it was official British Treasury policy. On May 3, however, the United States rejected Keynes's scheme for European


67Council of Four Minutes, 23 April 1919, PPC, 5:151; Council of Four Minutes, 30 April, 1919, PPC, 5:396.

credit rehabilitation. Without the support of the United States the British plan was impossible to execute.\(^{69}\)

Although the Keynes plan failed to gain the necessary approval for its execution, other accomplishments of the British SEC delegates were significant. They had led in the achievement and execution of the Brussels Agreement and in the unification of occupied and unoccupied Germany for this purpose. Through the initiative of Keynes, they had established the German Economic Commission, moving economic negotiations with Germany from Foch and the armistice commission to the SEC. British SEC participants could claim some success in their attempt to take political and economic power out of the hands of the French, particularly Foch, and make it possible to attend to the interests of Britain.

\(^{69}\) Keynes, Activities, 414, 440-441
CHAPTER VII

THE INTER-ALLIED RHINELAND COMMISSION

From the signing of the November Armistice, the British goal of reconstructing Europe's commercial life had included Germany; the greatest challenge to achieving that goal lay in French commercial and military control of the Rhineland. In executing the Brussels Agreement, British SEC delegates had led the effort to treat occupied and unoccupied Germany as an entity in providing food. The establishment of the German Economic Commission had taken some economic control from Foch and his French aides, but French control within the Rhineland continued. It was obvious to the British that Foch and French economic experts sought to orient the Rhenish economy to France by pursuing a policy of de facto administrative separation.

During the first months of 1919, an estimated six thousand French merchants established business contacts with the Rhineland. In addition to many products of high quality, they sold shoddy merchandise and war surplus to the Rhenish population.¹ The Rhineland had no trade barriers

so the French could sell freely throughout the occupied zones.² In April, French and Belgian goods were appearing in the British zone.³ By May of 1919, the French had sold more than 600,000,000 francs in French goods, including surplus government stocks, to Rhenish markets.⁴

Activities of United States businessmen also concerned British trade officials. They had reports of eighty officers in the American zone of occupation designated to aid United States traders.⁵ In trade with occupied Germany, the British feared that France, and possibly other nations, were leaving them behind. They wanted greater influence on the Rhenish economy and assurance that occupied and unoccupied Germany would be treated as an entity in all economic matters, not just in the provision of food.⁶ British trade officials, as well as British peace delegates, especially did not want France to dominate the political

⁴Nelson, Victors Divided, 45.
⁵Curzon to Waterlow, 7 May 1919, FO 608/280, PRO.
or economic life of the continent. German markets for British products and a balance of power conducive to the pursuit of British interests were their goals.

In early 1919, Britain not only had a surplus of some foods and raw materials but British manufactured products were also available for sale. Surplus stocks in industrial cities such as Manchester and Bradford had accumulated, causing unemployment of cotton spinners for weeks at a time. Excess cotton goods, waiting in Lancashire warehouses for export, came to the attention of the House of Commons in mid-March.

Throughout the spring, Britons employed various tactics to gain a foothold in the Rhenish markets. Trade Department officials requested and obtained a list of British officers in occupied Germany who would be available for assistance to British traders coming on business. The Department of Overseas Trade gave instructions for the handling of inquiries from British businessmen interested in visiting occupied Germany. In addition, the Department of Trade

7E. A. Lassen (of Heyman and Alexander) to Arthur Steel-Maitland (Department of Overseas Trade), 1 May 1919, FO 608/279, PRO.

8Great Britain, Parliament, Parliamentary Debates (Commons), 5th series, 113 (1919): 2139.

9Waterlow to Curzon, (undated), FO 608/280, PRO.

10Waterlow to Curzon, 10 April 1919, FO 608/280, PRO.
looked for an effective method to transfer money at an established rate of exchange, in English business dealings with the Rhenish population. Alert to French advantage, British businessmen pointed out that Belgian and French authorities already had, in their zones, a fixed rate of exchange between marks and francs.

Even matters of prestige received consideration. When His Majesty's Government sent industrial missions to the factories of the British occupation zone, occupation officials requested a larger staff and more cars to attend to British visitors in the interest of "British prestige." If the French were keen to advance their own commercial interests, therefore, the British were no less eager. French military control of Rhenish economics, by means of the commissions created by Foch and Tirard in the days immediately following the war, was the obstacle. Combating this obstacle required something more than a convenient exchange system, assistance to traders from British soldiers, or attendance to matters of prestige. The SEC was the vehicle they needed to advance British trade.

Lassen to Steel-Maitland, 1 May 1919, FO 608/279, PRO.

R. W. Matthew to Waterlow, 26 May 1919, FO 608/279, PRO.

Waterlow to Curzon, 1 May 1919, FO 608/279, PRO.
By late March, American and British SEC representatives were calling for a commission to coordinate Allied efforts in the Rhineland for united economic action and to replace the dominance of French military authority. They discussed two possible structures for this organization: an Inter-allied military body with all armies on an equal footing or a civilian commission with equal representation for the four governments participating in the occupation. The British favored the latter plan.\(^{14}\)

In keeping with Lloyd George's reminders that the SEC should strengthen British trade and while the Trade Department and others were dealing with the Rhineland problems in various ways, British SEC delegate E. F. Wise made a personal inspection visit to the occupied area and, on April 7, presented a report on the various commissions supervising the armistice with Germany. He found that the commissions were so numerous that it was difficult to obtain a complete list or to ascertain the functions of some of them.

Wise classified the commissions into three categories: those which dealt with the execution of, and communication concerning, the armistice; those administering the occupied territories; and those directly under the responsibility of

the SEC and dealing with the whole of Germany. All of these, since a state of war still existed, were under the authority of the High Command, which meant Foch. Mingling military and civil responsibilities, according to Wise, was the source of the problems in the administration of the Rhineland and hindered the execution of the Brussels Agreement.

Wise stated that, obviously, military matters should be subject to orders of the High Command. He pointed out, however, that in the four months since the armistice was signed, no "normal trade" with Germany had existed. To correct this situation, he made proposals which, if put into effect, would reverse the advance of military dominance achieved by Foch and Tirard in the Rhineland.

Wise stressed the need to deal with the administrative, economic, and food supply problems of the occupied territory as a part of the whole German problem. The Luxembourg Committee, Foch's creation, directed all commercial relations between occupied Germany and virtually the rest of the world. It had no direct relations with the SEC. The functions of the Luxembourg Committee should be more clearly defined, and it should receive instructions from the SEC on all non-military matters affecting the industrial or economic life of the occupied territory. In addition, he maintained that the headquarters of the committee should be
in Cologne, Coblenz, or Mainz, rather than Luxembourg, the seat of Foch's headquarters.

Included in Wise's report was a proposal for an Inter-allied Rhineland High Commission, staffed by civilians, to come into effect with the treaty. It would receive authority from the Council of Four and give directions to the army commands concerning finance, food, industry, fuel, labor, and other economic matters. He called for four commissioners, one each from France, the United States, Britain, and Belgium, with wide administrative and official experience, to serve on this commission. Wise recommended that Paul Tirard, who was then Controller General of the Occupied Territories, be named chairman of this Inter-allied Rhineland High Commission.

Until the treaty was in effect, an informally organized Inter-allied Rhineland Commission would serve as the forerunner of the Inter-allied Rhineland High Commission. It would be under supervision of an SEC Sub-Committee on Germany rather than one of the commissions already operating under Foch's control. SEC supervision would insure treatment of occupied and unoccupied Germany as an entity in economic matters. The sub-committee would coordinate the work of the SEC sections for economic negotiations.

15 Memorandum on Armistice Commissions and their Relation to SEC, 7 April 1919, PPC, 10:147-153.
with all of Germany, centralize communications between the Allies and the German economic representatives, and direct the new civilian commission.\textsuperscript{16}

The SEC approved Wise's proposals and requested permission to put them into effect immediately.\textsuperscript{17} Two weeks later, the Council of Foreign Ministers endorsed both the SEC Sub-Committee on Germany and the civilian commission for the Rhineland.\textsuperscript{18} The institution of Wise's proposals, in keeping with the original purpose of the SEC, removed economic decisions concerning occupied Germany from military control and took decisive economic and political power out of the hands of Foch and the many French-dominated organizations that had administered commercial matters associated with the occupation.\textsuperscript{19} The SEC Sub-Committee on Germany and the civilian commission which it supervised provided structures within which the British could combat the French attempt to dominate Rhenish commercial life and to gain hegemony on the continent.

\textsuperscript{16}Note on Functions of Sub-Committee on Germany, undated, FO 608/279, PRO.

\textsuperscript{17}Memorandum on Armistice Commissions and their Relation to the SEC, 7 April 1919, PPC, 10:150.

\textsuperscript{18}Council of Ten Minutes, 21 April 1919, PPC, 4:600.

\textsuperscript{19}Memorandum on Armistice Commissions and their Relation to SEC, 7 April 1919, PPC, 10:150.
On April 21, the Inter-allied Rhineland Commission, the forerunner of the Inter-allied Rhineland High Commission, which would come into effect with the treaty, began meetings in Luxemburg. Until January of 1920, the SEC Sub-Committee on Germany oversaw, in the name of the Council of Four, the work of this commission. The High Commission, to be established in January 1920, would be the highest economic representation of the Associated Governments in the Rhineland and military authorities would be officially subject to it in economic matters.

At the same time that Wise was presenting his proposals and the civilian commission was beginning its organization, the Council of Four was making decisions concerning the size of the occupation armies as well as the nature and estimated cost and duration of the occupation. Other contentious matters were coming before the Council of Four as well. Disputes over the Rhineland, reparations, the Saar Basin, and other matters threatened the existence of the conference.

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20 Meeting of Commissioners Plenipotentiary, 26 April 1919, PPC, 11:166.
21 Allen, Rhineland Occupation, 171-175, 221.
The weekend of March 22-24, Lloyd George went with his private secretary, Philip Kerr, General Sir Henry Wilson, and Maurice Hankey to Fontainebleau to assess the peace talks. There he wrote the Fontainebleau Memorandum which he sent to the other delegations on March 25. Lloyd George advocated moderation in dictating the peace terms to Germany. He said moderation would prevent a Bolshevik take-over of that state. Germany was sure to recover its strength and harsh peace terms would cause it to become a renewed threat. Among the specifics he stressed was the need for a League of Nations which, he said, would be an international guardian of right and liberty. The disarmament of Germany, according to Lloyd George, should be the prelude to universal disarmament. In addition, he asked for rectification of borders in Germany's favor and for German retention of its Rhineland sovereignty while France should receive Alsace-Lorraine permanently and the use of the Saar coalfields for ten years. The French, needless to say, viewed the memorandum with disdain.²⁴ For the remainder of the conference, however, Clemenceau accepted, often unwillingly, many of Lloyd George's views.

Concerning the occupation of the left bank, the Council of Four agreed in April that international forces should

occupy the Rhineland for fifteen years from the signature of the treaty or until Germany should fulfill treaty obligations. Bridgeheads at Cologne, Coblenz, and Mainz were to be held respectively for five, ten, and fifteen years.25 Clemenceau continued to insist that the Allies could maintain the occupation indefinitely if Germany failed to provide sufficient guarantees against unprovoked attack.26 As for the numerical strength of the armies, it was much less than Foch had wanted.

Following this settlement on the part of the Allies and the United States concerning the occupied territories, a new division among the Allies occurred. In June, Hans Dorten, a German separatist, attempted to establish an independent Rhenish state. French General Charles Mangin gave this effort strong support. American, British, and German suspicions of French ambitions to separate the Rhineland from the remainder of Germany became more intense.

German leaders complained to Clemenceau, as president of the Peace Conference, concerning these French activities within the Rhineland, which they perceived to be directed toward permanent separation of that area from Germany. The French, they said, were encouraging the Rhenish separatist

25 Articles Concerning Guarantees of Execution of Treaty, PPC, 5:117.

26 Council of Four Minutes, 30 April 1919, PPC, 5:357.
movement. The German Government asked that Clemenceau curb the political zeal of occupation authorities.\textsuperscript{27}

The British shared the Germans' concern, although for different reasons, as they saw the French advancing in their efforts both to dominate Rhenish economics and to make commercial gains in unoccupied Germany. Even as the French were working for a detached left bank, British occupation authorities reported substantial trade between France and unoccupied Germany through re-exportation from the occupied region. They maintained that this condition, in addition to making the blockade ineffective, gave an advantage to French trade over British trade.\textsuperscript{28} The British aimed, through the SEC with its Sub-Committee on Germany and its Rhineland Commission, to stop the French drive for dominance in the Rhineland. While Foch and other French participants continued in their effort to treat the occupied region as an entity separate from unoccupied Germany, British SEC delegates worked for food deliveries, trade, and all financial matters in occupied as well as unoccupied Germany to be unified under the control of the SEC. Success

\textsuperscript{27}Brockdorff-Rantzau to Clemenceau, 3 June 1919, American Commission to Negotiate the Peace, Paris Peace Conference, 1919, SH Bulletins (Palo Alto: Hoover Institution, Microfilm), #344; hereafter cited as SH Bulletins.

\textsuperscript{28}Major A. F. Vernon (Staff of British Military Governor in Occupied Territory) to Urwick, 31 May 1919, FO 608/279, PRO.
in the revictualling of Germany, a condition of the armistice, depended on treatment of the Rhenish economy as a part of the whole German economy.\textsuperscript{29} In this effort, they had the support of the British trade community which encouraged the subordination of military authority to civilian control in Rhenish economic matters.\textsuperscript{30}

With the informal Rhineland Commission already functioning, the United States, Britain, France, and Belgium signed the Rhineland Agreement with Germany on June 28, 1919. It would come into effect with the Treaty of Versailles and it governed the military occupation of the Rhineland.\textsuperscript{31} Rhineland commissioners Harold Stuart and Pierrepont Noyes, the authors of the agreement, wanted a small occupation army, with billeting only for officers, and self-government for the occupied territory except for powers granted to the controlling civilian commission. These powers included the right to make or change regulations or to impose martial law to protect occupying troops or to guarantee treaty execution.\textsuperscript{32} The rights of the

\textsuperscript{29}Sidney Waterlow to Curzon, 16 June 1919, FO 608/279, PRO.

\textsuperscript{30}Waterlow to Curzon, 16 June 1919, FO 608/279, PRO.

\textsuperscript{31}Military Occupation on the Rhine, PPC, 6:389-393.

\textsuperscript{32}Council of Four Meeting, 29 May 1919, PPC, 6:108-111.
occupation authorities under the civilian commission, according to Stuart and Noyes, should be much the same as those under Foch. It was the source of authority which was different.

In its final form, the Rhineland Agreement contained thirteen articles. It allowed no German troops in the Rhineland but did provide for a German police force sufficient to ensure order in the occupied territories. The Inter-allied Rhineland High Commission, also known simply as the High Commission, consisting of one commissioner each from the United States, Britain, France, and Belgium, was to be the supreme representative of the Allied and Associated Powers within the occupied territory. While German courts would continue to exercise civil and criminal jurisdiction, except over the armed forces of the Allies and the United States, the High Commission would issue ordinances as necessary for securing the maintenance, safety, and requirements of the Allied and Associated forces. These ordinances would have the force of law throughout the Rhineland and German authorities must cooperate in their enforcement. The German Government was to be responsible for all expenses of the occupation troops and the High Commissioners. Allied and American authorities could occupy any property within the Rhineland and remain there undisturbed. While civilian and military officers could be
billeted on the Rhenish inhabitants, non-commissioned officers were to stay in barracks provided by the Germans. The Germans must furnish and maintain in good repair any accommodations for officers and men such as hospitals, laundries, workshops, or riding schools. Occupation authorities would pay no German direct taxes or duties. All German communications personnel must obey any orders given by the Commander-in-Chief of the Allied and Associated armies for military purposes. Occupation personnel would not pay for their transport on any German communications system while on duty. German postal personnel must obey any orders given by the Commander-in-Chief of the Allied and Associated Armies and the German Government must transmit free of charge all letters and parcels by or for the armies of occupation or the High Commission. Finally, the High Commission had the power to declare a state of siege in any part of the territory or all of it whenever they deemed it necessary to maintain or restore public order.\footnote{Agreement Between the United States of America, Belgium, the British Empire, and France and Germany with Regard to the Military Occupation of the Territories of the Rhine, 28 June 1919, \textit{HPCP}, 3:341-345.} This last article, requiring subjective interpretation, gave almost total civil power throughout the Rhineland to the High Commission.
The Germans were disappointed that, within the Rhineland Agreement, there was no definite limit set to the duration of the occupation or to the cost or the size of occupation armies. In addition, they feared Allied interference in educational and religious matters. They complained that the authors of the Rhineland Agreement did not understand the complex conditions within Germany and offered objections even though, for them, signing the agreement was not optional.\(^3^4\) Clemenceau over-rode the German complaints, saying that the Rhineland Agreement was a part of the peace conditions and inseparable from Germany's treaty ratification at Versailles on June 28, 1919.\(^3^5\)

Finally, Rhinelanders accepted military occupation as an historically familiar condition.\(^3^6\) The national allegiances of the Rhenish population had been tentative and the Franco-German frontier had been fluid since the 843 A.D. Treaty of Verdun divided Charlemagne's Empire.\(^3^7\) American General Henry Allen said that it was also their traditional

\(^3^4\)German Delegation to Clemenceau, 27 June 1919, SH Bulletins, #416.

\(^3^5\)Clemenceau to German Delegation, 5 July 1919, SH Bulletins, #443.

\(^3^6\)Allen, Rhineland Occupation, 6, 78.

\(^3^7\)Memorandum to General Staff on Franco-German Border, 2 January 1919, FO 374/132, PRO.
autocratic Rhenish government which helped to make
Rhinelanders adaptable to an occupying military force.38

As Wise had suggested, Tirard became chairman of the
new commission.39 A retired officer of the Indian Civil
Service, British Commissioner Harold Stuart, like many other
SEC participants, had recently served in the Food Ministry
in London.40 In the work of the Rhineland Commission, as
in other cooperative endeavors at Paris, the British and
American commissioners usually worked together.41 The
Belgian representative took little initiative, accepted
French views, and voted with Tirard.42 Matthias
Erzberger, German representative on the armistice
commission, worked behind the scenes to encourage American
and British opposition to French goals.43 Erzberger had
faced Foch in negotiating armistice terms and knew

38 Allen, Rhineland Occupation, 6, 78.

39 Directories, PPC, 3:129.

40 [Philip J. Bagby], Assistant Chief of Staff,
American Representatives in Occupied Germany 1920-1921,
Stencilled, 2 vols., 1:265-266.

41 Pierrepont B. Noyes, A Goodly Heritage (New York:

42 Urwick to Waterlow, 24 June 1919, FO 608/279, PRO.

43 Nelson, Victors Divided, 57.
first-hand about dealing with him. It is likely he preferred working with the civilian commission.  

From the commission's beginning, Foch, along with his aides, naturally demonstrated hostility to civilian control. It meant the destruction of his carefully planned and executed economic control in the Rhineland and would impede French efforts to detach the left bank from the remainder of Germany economically if not politically. Clemenceau, meanwhile, negotiated with the other Allies and the United States in an effort to gain as much for the French as possible. If he was the wily politician Lloyd George claimed him to be, he would make concessions, such as civilian control of Rhenish economics, in order to gain acceptance of the occupation, which in the beginning only the French had wanted, and for other advantages such as the temporary control of the Saar Basin.

Foch complained that the new civilian commission was unnecessary, would complicate the occupation, and would make it more expensive. He protested that a civilian controlled occupation was a new and hazardous experiment in international government and that military authorities would


have no properly defined responsibilities. British SEC representatives reminded him that the Rhineland Commission was a mandate from the Council of Four. In the third week of May, according to Wise's proposals and through British and American cooperation, offices of the Rhineland Commission were transferred from Luxemburg to Coblenz, center of the American zone. This move took the new commission far from Foch's Luxemburg headquarters.

To the British, the early occupation had encouraged too many French business activities based on military power. In economic matters within the Rhineland, the armistice period demonstrated a mixture of charity, business, and high politics. The new commission was born of Wise's investigative trip and subsequent proposals in his role as a British SEC representative. Refined by the British delegate, Sir Harold Stuart, and the American, Pierrepont Noyes, in their authorship of the Rhineland Agreement, the commission offered an opportunity for more British and American influence in the administration of the commercial life of Germany. With this strengthened influence, the British could advance their trade. In fact, one of the

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46 Waterlow to Curzon, 16 June 1919, FO 608/279, PRO.
47 Nelson, Victors Divided, 102-104.
48 Fraenkel, Military Occupation and the Rule of Law, 4, 15.
functions of the British Commissioner on the Rhineland Commission was to furnish commercial intelligence to the British Government.49

Because the SEC was an institution strong enough to challenge Foch's authority and the activity of French businessmen, French efforts did little to draw the Rhineland toward France. It was within the SEC and as an Inter-allied effort, not within French agencies as Foch had planned, that commercial directions in the Rhineland were eventually determined.

In the revictualling effort, British and American SEC representatives were committed to the consideration of unoccupied and occupied Germany as a whole. Not only had British SEC representatives led in the achievement of the Brussels Agreement and its execution, but because of the investigative work of British delegate Wise, the SEC had created the Sub-Committee on Germany and the Rhineland Commission, replacing military control over economic decisions within occupied Germany and between Germany and the rest of the world with civilian control. Further, the sub-committee's supervision of negotiations with the German Economic Commission, another British initiative, had

49 Harold Stuart to Waterlow, Private and Confidential, Undated, FO 608/279, PRO.
transferred economic control from the armistice commission and Foch to the SEC.  

Although it was not a light task, it was through the SEC and in cooperation with the United States, that Britain was able to stop Foch's de facto commercial rule of the Rhineland and to unify Germany for the purpose of food provision. Along with this accomplishment, the British captured some of the power the French had acquired through the early efforts of Foch and made it more possible to attend to British interests.

50Note on Commissions with German Economic Delegation, 21 May 1919, App. 154 to SEC Minutes, 26 May 1919, PPC, 10:298.

51McDougall, France's Rhineland Diplomacy, 52, 54-56
CHAPTER VIII

NEW STATES FROM OLD EMPIRES

While executing the Brussels Agreement and establishing the German Economic Commission, the Rhineland Commission, and the Sub-Committee on Germany, the SEC also administered relief to other countries, among which were the liberated and ex-enemy states of eastern Europe. First the Supreme Council of Supply and Relief and then the SEC Food Section, both under the chairmanship of Herbert Hoover as Director General of Relief, performed the monumental task of food provision for this region.1 Hoover and the other Food Section participants judged that world supplies were sufficient to cover world needs. The blockade, broken communications, unstable new governments, rivalry among new states, and inadequate finance were obstacles preventing effective distribution of these supplies. The SEC sought to combat these obstacles through modification and finally elimination of the blockade, restoration and regulation of

1Despatch on Economic Conditions in Central Europe, William Goode (British Director of Relief) to Secretary of State for Foreign Affairs, 1 January 1920, Hoover Library, Herbert Hoover Institute, Palo Alto, Calif.; hereafter cited as Despatch from Goode.
transportation, arrangement for finance, and supervision of food distribution.  

Of the major powers represented at the Peace Conference, France was most consistent in its goals for eastern Europe. It wanted the new states to become strong enough to resist a future German attack. It also wanted to lead these states to form alliances with France, collectively performing the role that Russia had abandoned before 1917. Italy, not wanting the old Hapsburg Empire to become a collection of French-dominated states, opposed French aims and advocated measures which would strengthen Italian control of the Adriatic region. American delegates were dedicated to national self-determination. Unable to reconcile this principle with strategic and economic considerations, however, they often demonstrated uncertainty in their actions and in discussions concerning eastern Europe.

The British favored the establishment of a Danubian federation to serve as a barrier to both Russian and German expansion and to promote economic cooperation, which would aid British trade. They wanted an organization of the

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the Hapsburg states without the Hapsburgs. Failing this, they wanted stable frontiers with few economic barriers throughout eastern Europe.\(^3\)

Although national self-determination in eastern Europe had not been a major British interest during the war, Britain had become committed to the independence of the Poles, the Czechs, and the Yugoslavs as they sought the aid of these groups against Germany. British officials made contact with these European nationalists for espionage and for propaganda. Through these contacts some officials became convinced that the cause of national self-determination was correct and others made commitments of expediency as they dealt with a series of minor problems calling for immediate decisions.\(^4\) As they worked with these groups the British saw that in assisting with the reconciliation of nationalist differences, such as the post-war national boundaries for the new states, Britain could extend its influence in the area. It could advance its interests in the markets and raw materials there as well its aim for strong eastern European states to provide a

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balance of power conducive to British goals on the continent.\(^5\) British SEC delegates, in keeping with Lloyd George's desire that the SEC become a vehicle to gain British trade advantages and while providing relief and reconstruction in the area, worked toward this end.

As the SEC began its work, many small wars were being waged throughout eastern Europe, from the Baltic to the Balkans, starting with Estonia and continuing down through Latvia, Lithuania, eastern Germany, Poland, Czechoslovakia, Austria, Hungary, Rumania, Yugoslavia, Albania, Bulgaria, and Greece. Lansing observed that "the Great War seems to have split up into a lot of little wars."\(^6\) These conflicts over new national borders and over control of natural assets, combined with the breakdown in economic structure, broken communications, and the lack of basic necessities, threatened to destroy the new states in eastern Europe and seriously hindered SEC relief efforts. The new states refused not only to cooperate economically with each other, but also with the Allies and the United States.

In addition, eastern Europe had become a likely area for Lenin and the Bolshevik revolutionaries to gain a

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\(^5\)Memorandum for Political Intelligence Department, November, 1918, FO 608/435, Public Record Office, London; General Staff to Lloyd George, Secret, 30 August 1916, Austen Chamberlain Papers, University of Birmingham, Birmingham, England, AC 20/9/5.

foothold for western expansion because of the weak
governments, the border disputes, and the close proximity of
that region to Russia where the Bolsheviks were successful.
In January, for instance, American journalists in Austria
wrote of an "extreme radical element" whose inflammatory
speeches made the people restless for a new order such as
the Bolsheviks promised.\(^7\) Germany was experiencing a
Spartacist revolt that same month and some Latvians
expressed the fear that the Bolsheviks would establish
direct contact with the German Spartacists and overrun the
Baltic region.\(^8\) The SEC began its work with Bolshevism
active to the west as well as to the east of eastern
Europe.

Lloyd George expressed alarm when he heard of war plans
against the Bolsheviks, advocated by Churchill and others.
He supported the Cabinet policy of supplying only "material
assistance" to the anti-Bolsheviks.\(^9\) In fact, British and
other Allied military forces almost surrounded Russia in
early 1919, although in March, the British Cabinet ordered

\(^7\)Charles Klauber to Baker, 14 January 1919, George
Barr Baker Papers, Hoover Institute Archives, Palo Alto,
Calif., Box 14.

\(^8\)Stanley W. Page, *The Formation of the Baltic States*

\(^9\)Lloyd George to Churchill, 16 February 1919, David
Lloyd George Papers, House of Lords Record Office, London,
F/8/3/18.
the evacuation of these British forces from that region over a period of months. Military assistance aside, some of the Prime Minister's advisers maintained that relief such as the SEC was seeking to provide could prevent a Bolshevik victory in the small states neighboring Russia.

British public opinion in 1919 was largely indifferent to the fate of eastern Europeans. Bolshevism was a relatively new philosophy to people in Britain as well as to the rest of the world. Keynes, in trying to understand Russian affairs soon after the revolution, said he sensed that he was witnessing a momentous episode in the world's history, with unknown consequences. To the British Government and to the other Allies, their former ally Russia, with no official representation at the Peace Conference, was a mystery. Yet, an appropriate policy toward Russia was essential if the Allies and the United States were to see peace and stability in eastern Europe, from the Baltic to the Balkans.

On January 22, the Council of Ten invited all factions within Russia to Prinkipo Island in the Sea of Maramara for

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10 Churchill to Lloyd George, 8 March 1919, Chamberlain Papers, AC 24/1/27.


12 Keynes to F. A. Keynes, 13 January 1918, John Maynard Keynes Papers, King's College, Cambridge.
a conference on February 15 to discuss peace terms. The Council hoped to solve Russia's internal problems in a way conducive to Allied goals. Although Bolshevik forces were soon to gain the initiative, both Kolchak and Denikin, the leading anti-Bolshevik Russian generals in 1919, were moving offensively and experiencing success at the time the invitation was issued. They, along with others, refused to enter into the discussion. Alone among the Russian factions, the Bolsheviks accepted, and the conflicts between the various Russian groups vying for power prevented the conference from assembling.

The SEC began to execute the task assigned to it by the Council of Four with no consistent or clear policy from the Council concerning Bolshevism except that the Allies would give material aid to the anti-Bolsheviks. In the early months of the Peace Conference, chief British delegates, along with those of France and the United States, concentrated on Germany while a relatively junior staff dealt with eastern European problems. British SEC delegates were aware that the British Government assessed the condition of this region as overwhelmingly complex, with conflicts offering little hope of early solution, and that it did not attach the significance to this area that it did not  

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to some other regions of the world. At the Peace Conference, Britain failed to demonstrate the dynamic policy toward eastern Europe which dominated its initiatives in western Europe and the Middle East.¹⁴

Nevertheless, Britain was eager to sell surplus food and other products and to gain access to any raw materials, such as oil, that might be available in the area as British delegates participated in SEC relief missions to Poland, Yugoslavia, Rumania, Turkey, Czechoslovakia, Hungary, Austria, the Baltic states, and southern Russia.¹⁵ While administering the food and medical relief throughout eastern Europe, British delegates encountered obstacles both in making the provisions available and in advancing British goals. The problems varied from region to region.

In the northern section of eastern Europe were the Baltic states: Estonia, Latvia, and Lithuania. As specified in Article 12 of the November Armistice and at the request of the Allies, German soldiers remained there to prevent the spread of Bolshevism. Furthermore, German influence in this region was not limited to the military. At the end of the twelfth century, Germans had invaded the eastern Baltic shores, and by the thirteenth century had established a Teutonic regime, become feudal lords, and subjugated the

¹⁴Ibid., 88-92.

¹⁵Despatch from Goode.
Baltic natives in what became Latvia and Estonia. The Lithuanians had successfully resisted the German invaders but, beginning with a marriage between a Lithuanian prince and the queen of Poland in 1386, they had come under Polish political and cultural domination. All of the Baltic area came under Russian control in the eighteenth century, Latvia and Estonia through the Treaty of Nystad and Lithuania through the three partitions of Poland between 1772 and 1795. The Teutonic knights, sometimes known as the Balts, continued to rule in Latvia and Estonia, with the natives of this area living in serfdom. The Poles continued to dominate Lithuania.  

In the middle of the nineteenth century the Baltic people supported emancipation movements and in 1905, some Baltic natives, particularly in Latvia and Estonia, sympathized with the Russian proletarian movement and with the Russians who marched against the winter palace in St. Petersburg that year. These natives revolted in a liberation movement against the Balts who reacted with a reign of terror. Those participating in the liberation movement were guerilla fighters, known as the "forest brothers." Many of them hoped that by uniting with Russian
radicals they could expel the Germans from the Baltic region.17

In 1915, Germany occupied Lithuania along with other areas of the Baltic. When Germany made peace with Russia, some Lithuanians wanted the Kaiser to accept their country as a protectorate.18 At this time, Latvians and Estonians were still under the economic control of the Balts. The German Government, during the war, had been preparing to include the Baltic area in the German Reich, referring to it as "altes deutsches Siedlungsland," the old German colony. The Allies feared this policy and the eventual political and economic domination of the Baltic region by Germany.19

When the war ended, there was a strong movement for independent Baltic states among the Baltic people. Yet, some of the population looked to the Germans for protection from the Bolsheviks and some looked to the Bolsheviks for protection from the Germans. Some appealed to the Allies for protection from both Germans and Bolsheviks. All of these factors, combined with the German military presence and the Polish effort to include Lithuania in its goal of regaining all the territory which had been within its

18 Page, Formation of the Baltic States, 27, 55.
19 Meiksins, Baltic Riddle, 5-6, 12-13, 21-39, 58-59, 73.
borders prior to 1772, complicated the SEC effort in the Baltic region.

Among the British, the fear grew that, even if they and the other Allies succeeded in keeping the Bolsheviks out of this area with the presence of the German soldiers, the Germans might gain enough influence to continue their goals for German domination, negating the British plan for a balance of power strong enough to thwart German or Russian expansion and eliminating any hope for British commercial growth in the Baltic region.\(^\text{20}\) British traders had held an interest in the Baltic area for centuries, seeking to establish British influence there since the reign of Elizabeth I. For over three hundred years, England had had a share, although sometimes a small one, in Baltic trade.\(^\text{21}\) Britain had ample reasons to want independent Baltic states with which it could cooperate economically.

To the south of the Baltic region were the states of east central Europe: Poland, Czechoslovakia, Austria, and Hungary. Carved from the northern section of the Austria Hungary Empire and from a part of the Romanov Empire, these states were in the process of establishing new systems of


government and settling disputes concerning borders and control of natural assets. Austria, a country in greater distress than any of its neighbors, was the outstanding example of an ex-enemy state unable to help itself. Vienna was a city of approximately 2,500,000 inhabitants, described by SEC personnel as the "nervous rich" and the "starving poor." With its productive hinterland divided among new states, Austria had little access to food and fuel. Red Cross relief personnel compared that state to an oak with the roots severed. They observed that its industries now belonged to unfriendly neighbors while Hungary, Rumania, and Yugoslavia controlled the wheat fields and Rumania, Hungary, Poland, and Czechoslovakia owned the coal, iron, and some of the salt mines as well as the oil fields.

East central Europe had raw materials needed by all of the Allies. Britain was particularly interested in the oil. In addition, it wanted access to the markets available there.

The Balkan countries, Yugoslavia, Rumania, Albania, Greece, and Bulgaria, had gained independence from the Ottoman Empire during the previous century. Now they were claiming, in the case of Yugoslavia and Rumania at least,

22 Despatch from Goode.

part of the southern portion of the Austria-Hungary Empire and part of the Romanov Empire. In the pre-war years, this region was the scene of the Balkan Wars against Turkey and now in 1919 they fought each other and with their neighbors to gain territorial advantages and raw materials. British peace delegates maintained that the magnitude of the Balkan conflicts defied a quick solution, especially with inadequate British military strength in the area. When the Allies arranged the armistice with Austria-Hungary on November 3, they had planned to occupy strategic military positions in that region from which to attack the Germans. Germany’s sudden capitulation made this unnecessary and, therefore, the British and French had abandoned plans to increase military strength there. Just as in east central Europe, Britain hoped, through SEC efforts, to gain access to the oil and to the markets to be found there.

To aid the new states in eastern Europe, the SEC needed capital for credits. The British Treasury, in early 1919, was still a borrower because of domestic reconstruction, war expenditures, initiation of peace industries, and plans for development within the Empire, especially the new mandates that would be received through the action of the Peace Conference. Regardless, in February 1919, the


British Parliament voted, a relief appropriation for credits of £12,500,000 to be used in European countries other than Germany. They specified that the money would be spent on products from the United Kingdom. That same month, the United States Congress had approved an appropriation of $100,000,000 for European relief credits, and Wilson had contributed an additional $500,000 from special funds. The American credits were to be used for the purchase of American products by countries other than ex-enemy nations. This eliminated not only Germany, Bulgaria, Turkey, and Hungary but also Austria, the most desperate of the countries remaining from the Austria-Hungary Empire.26

British delegates knew that careful use of this capital was essential if they were to guide the eastern European states toward self-sufficiency. In early March, the SEC Finance Section, under the leadership of Keynes, clarified conditions for credits to all countries except Germany. They were to be granted only if no cash assets were available. In this event, the SEC would choose the best available non-liquid assets as collateral. Repayment was to be a first charge on any future resources of the borrowing country and would rank above reparation or indemnity payments. Loans to liberated countries would carry a first

26Despatch from Goode.
charge against reparation or indemnity receipts by these countries from the former enemy states. These loans were largely from the United States and Britain. The United States was to gain nothing from reparations and Britain did not hold the interest that France did. The lending nations were more likely to be repaid prior to the Allied division of any reparations available, especially in the case of Austria where financial resources would never support reparations.

The stipulation of the United States Congress that credits provided by Americans could not be used by ex-enemy countries called for special arrangements if the SEC was to administer relief effectively. Keynes, through his work in the SEC Finance Section, arranged for credits to solve the problem concerning American assets and Austria's ex-enemy status. Great Britain, France, and Italy each obtained, from the United States Treasury, loans of $16,000,000 to be used as credit for food supplies of American origin for Austrian relief. Goode maintained that, in this endeavor, Keynes showed England to be humane while victorious.

Keynes, however, had information which would indicate more pragmatism than altruism in his motivation for this

27SEC Minutes, 3 March 1919, PPC, 10:32.
28Despatch from Goode.
When he discussed his plan for Austrian relief credits with the War Cabinet, he said that the British Treasury could accept any securities from Austria. He knew, because of information obtained from financial experts of the former Hapsburg Empire, that the Dual Monarchy had substantial income from foreign investments. Most of the foreign holdings were unsold and Austria's government held them. In addition, Austria had abundant timber.

In the matter of relief for Austria as well as in some other cases, many Britons saw the United States as the country with the largest supplies and the greatest financial resources and, like Chamberlain, considered the Americans to be generally "unhelpful," although the actual money made available by the United States was approximately 40 per cent more than that provided by Great Britain. Goode says he

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31 Chamberlain to Ivy, 10 March 1919, Chamberlain Papers, AC 6/1/338.

32 Although the exchange rate varied throughout the year, in Goode's Despatch, a report filed with Parliament in January of 1920 concerning the SEC work in 1919, Goode used the exchange rate of $4.72 for .1. Keynes, in his Economic Consequences of the Peace (New York: Harcourt, Brace and Howe, 1920), 18, converted pounds sterling at the rate of $5 to .1.
had an understanding with Hoover to provide basic relief which the United States could not supply because of Congressional restrictions.33 It was also necessary for Goode to work within the restrictions which Britain imposed, chief of which was that British loans be used to buy British products.

In addition to making arrangements for finance, the SEC immediately began to work for modification of the blockade of all of the countries which had made up the Central Empires. Blockades of Czechoslovakia and Rumania had been removed soon after the beginning of the armistice when the Allies announced the resumption of normal trade relations with these countries.34 Although Czechoslovakia was bordered on all four sides by countries which remained blockaded, the elimination of its blockade would bring some relief in that the agreements made with neutrals during the war to prevent trade with any part of the Central Empires would no longer apply to Czechoslovakia.

In response to a British proposal, the SEC lifted the blockade of countries bordering the Adriatic Sea in early March.35 The Italians, however, had to be reminded that

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33 Despatch from Goode.
34 Note on Commercial Relations with Russia, 30 May 1919, App. 173 to SEC Minutes, 2 June 1919, PPC, 10:333.
35 SEC Minutes, 7 March 1919, PPC, 10:42.
they were no longer operating under the blockade agreements made in 1915. Earlier in the month the Italians had blockaded railways through Yugoslavia, cutting off supplies to Prague and Vienna. Mastery of the Adriatic Sea, and particularly control of the port city of Fiume, was crucial to Italian policy. In fact, Italy aimed for control of all eastern European outlets to the Adriatic Sea. A new state such as Yugoslavia with a long Adriatic coastline could be a threat to Italian mastery of the Adriatic. The British delegation, on the other hand, was pro-Yugoslavian and hoped that Yugoslavia would eventually be strong enough to assist in blocking any future German drive into the Balkans.

When the armistice began, Austria, Hungary, and Germany, all carrying ex-enemy status, had the same blockade restrictions. In mid-March, the SEC, at the request of the Blockade Section and with assurance of adequate

36 SEC Minutes, 24 March 1919, PPC, 10:86.
37 Balfour to Curzon, 7 March 1919, FO 374/132, PRO.
38 Dockrill and Goold, Peace Without Promise, 107-108.
40 Dockrill and Goold, Peace Without Promise, 107-108.
41 SEC Minutes, 6 March 1919, PPC, 10:40.
provisions to prevent re-exportation to Germany, lifted the restrictions on Austria and Hungary.42 Trade restrictions remained for the Baltic region and Poland but were soon to be lifted.

In the SEC task of relief and reconstruction, British relief personnel, both men and women, provided largely by the Food Ministry and working under the direction of the SEC Food Section, varied in number with the maximum being 170 at one time.43 In addition, other Britons, either coming on their own or from London departments, were present in the European countries to administer various kinds of relief. In early March, the BEEC instructed Cecil to bring all of these British missions under the authority of the SEC.44 SEC supervision would result in a more consistent focus on British goals such as commercial gains and the strengthening of the weak new states to prevent control of eastern Europe by a revived Germany, by France, by the Bolsheviks or by any other group coming to power in Russia.

One of the groups with which the SEC worked was the League of Red Cross Societies. Complicating the hunger and the dislocation of communications, there was an outbreak of

42Report from Blockade Section, App. 30 to SEC Minutes, 17 March 1919, PPC, 10:68.
43Despatch from Goode.
44BEEC Minutes, 7 March 1919, FO 608/75, PRO.
diseases including typhus, tuberculosis, smallpox, and influenza in the eastern European states. The Red Cross and the SEC cooperated in an effort to combat these and other illnesses. The association between these two organizations began with the second SEC meeting when the Red Cross asked the SEC for its help in gaining permission from the Associated Governments to send relief provisions into Germany.

As the SEC planned for and delivered food provisions in eastern Europe and supported the Red Cross in the delivery of medical supplies, a major problem continued to be the armed conflicts throughout the Balkan and Baltic countries which placed literal roadblocks in the progress of all relief. Goode maintained that bribery was essential to get trains through certain checkpoints. In March, a conflict between Hungary and Czechoslovakia, Rumania, and the Allies developed which proved to be the most troublesome of all the eastern European conflicts for the SEC.

On March 21, Count Michael Karolyi, Hungary's president of a few months, resigned, giving as his reason his country's discontent with the Allied assignment of national

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45 SEC Minutes, 25 February 1919, PPC, 10:7; Memorandum from Sir John Beale Regarding Relief for Germany, 21 February 1919, App. 5 (b) to SEC Minutes 25 February 1919, PPC, 10:17.

46 Despatch from Goode.
boundaries, particularly their granting Transylvania, which Hungary claimed, to Rumania. Karolyi was an aristocratic leader in a country which, beginning in the second half of the nineteenth century, had enforced a ruthless policy of Magyarization on its population, humiliating and oppressing subject races. Although a Magyar and a prominent landowner, Karolyi had advocated the break up of big estates with accompanying land reforms which would aid the peasant. In the face of demands for speedy action from land hungry peasants, unrest of urban masses, and discontent and unemployment among demobilized soldiers, present in large number because of Karolyi's efforts to reduce the army in conformity to Allied demands, Karolyi failed to demonstrate capable leadership. Whether he conspired with rightists within Hungary to reveal the inadequacies of the leftists by allowing them to gain power or was, as some nobles regarded him, a traitor who was controlled by the masses, when he resigned, he virtually turned over the government to the extreme left group.47

Karolyi's resignation allowed Bela Kun to come to power. A Hungarian-Jewish soldier, Kun had been captured on the Russian front in 1916, had learned revolutionary tactics

while a prisoner, and in November of 1918 had returned to Hungary with money and a false passport provided by Lenin. In December, Kun started a communist newspaper, agitated against the new government of Karolyi, and founded the Communist Party in Hungary. Although briefly imprisoned, he was released in March and became a part of the Government’s Foreign Office. When Karolyi resigned, Kun was poised to take over the government and, through the revolution, he achieved the status of a dictator.

According to the Allies, Kun, with his ties to Lenin and his strengthening of the Hungarian army, was a serious threat to peace in eastern Europe as well as to Allied interests there. His actions and the territorial conflicts between Hungary and its neighbors, Czechoslovakia and Rumania, were a handicap to SEC relief and reconstruction efforts. In addition, actions in Hungary as well as the surrounding area, if continued, would thwart British goals for strong independent eastern European states, unaligned with either Russia or Germany, and for British access to commercial advantages in all of eastern Europe. British SEC personnel sought to deal with this problem and other similar ones in eastern Europe while administering economic relief and advancing British interests.

48 HPCP, 4:483-488.
CHAPTER IX

FOOD FOR EASTERN EUROPE

Rivalry among the new states, the forces of Bolshevism, and the effects of the blockade interacted in Hungary as Kun's rise to power motivated the SEC, with Council of Four endorsement, to reimpose the blockade on Hungary. This action denied relief to Hungary and complicated relief efforts in much of eastern Europe.¹ Hungary, for a period of months, had a Communist government. A shortlived Soviet Republic in Bavaria followed the establishment of Bela Kun's regime by only a few days. British SEC delegates maintained that the new, non-Bolshevik governments could remain in power only with the provision of food for their people. The way to meet the Bolshevik threat, therefore, was to supply that food.²


²Despatch on Economic Conditions in Central Europe, William Goode (British Director of Relief) to Secretary of State for Foreign Affairs, 1 January 1920, Hoover Library, Herbert Hoover Institute, Palo Alto, Calif.; hereafter cited as Despatch from Goode.
As events in Hungary and Germany were unfolding, Lloyd George maintained that the Bolsheviks wished to destroy the "whole existing fabric of society." It was, in fact, immediately after Karolyi's resignation, that Lloyd George and his advisers retired to Fontainebleu to assess the direction of the Peace Conference. Here he wrote his Fontainebleu Memorandum discussed in Chapter VII. The Prime Minister feared the strengthening of the Communist movement in Germany and a subsequent union of that nation with Soviet Russia. If this happened, he said, all of eastern Europe, from the Urals to the Rhine, would be in the orbit of the Bolshevik revolution.

While Britain sent no army into combat in eastern Europe, it did assist and encourage participants in the conflicts. Reluctant to intervene directly in Hungary's political affairs, the British offered aid to anti-Bolshevik forces there, just as in Russia, and assisted Rumanians and Czechs in their effort to establish territorial claims against Hungary.


The Rumanians were the most successful of the groups in combat against Hungary. At first, the British approved of Rumania's actions because they thought they would advance British interests in eastern Europe. British SEC delegates, involved in food delivery, feared that the desperation of the small, new states might facilitate a Bolshevist victory in all of eastern Europe. Officials in the Foreign Office wanted to stop Bolshevism in Hungary to prevent its spreading to Czechoslovakia and Austria. In backing the Rumanians, the British Government hoped to accomplish this goal.

The Council of Four appointed committees to settle territorial and other differences such as those affecting Hungary, Rumania, and Czechoslovakia. Through the spring of 1919, however, they failed to settle on a consistent policy toward the new states of eastern Europe.

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7 Hankey to Lloyd George, 19 March 1919, Lloyd George Papers, F/24/3/39.


9 Memorandum from Hardinge, 12 April 1919, FO 608/18, Public Record Office, London.

10 Dockrill and Goold, Peace Without Promise, 90-91.
George said that a major part of the solution to the problem was establishing a workable policy toward Russia.\textsuperscript{11}

In April, Norwegian Fridtjof Nansen proposed a humanitarian commission for the relief of Russia. Under neutral management, the relief was to be a non-political endeavor to deal with the problems of hunger and disease. The Allies would make provisions available to Russia simply because it was in need.\textsuperscript{12} British objections surfaced immediately. Churchill believed it would only benefit the Bolsheviks and result in pressure on anti-Bolshevik forces.\textsuperscript{13} The Council of Four accepted Nansen's ideas on the condition that the relief be dependent on the cessation of all hostilities within Russia. Nansen then transmitted his proposal, with the Council of Four's stipulation, to the Soviets who agreed to discuss Nansen's proposal but said that the Council of Four was tying political initiatives to humanitarian endeavors with their request for the end of fighting.\textsuperscript{14} Eventually, the plan proved to be unworkable.

\textsuperscript{11}Memorandum, Lloyd George to Parliament, 25 March 1919, Lloyd George Papers, F/157.

\textsuperscript{12}Fridjof Nansen to Lloyd George, 3 April 1919, Lloyd George Papers, F/6/6/28; Cecil to Lloyd George, 29 March 1919, Lloyd George Papers, F/6/6/20.

\textsuperscript{13}Churchill to Lloyd George, 20 April 1919, Lloyd George Papers, F/8/3/41.

since there was no authority in Russia strong enough to stop the combat.\textsuperscript{15}

In adopting Wilson’s proposal for an SEC, the Allies had accepted responsibility to assist eastern Europe with relief and reconstruction. That work progressed in spite of the unresolved conflicts in the area. The British hoped the efforts of the SEC could strengthen the new states and prevent control of eastern Europe by a revived Germany, France, the Bolsheviks, or any other group coming to power in Russia.\textsuperscript{16}

Hoover, in his position as head of the Food Section, strongly advocated self-help on the part of the new states as a solution to the obstacles they encountered. As early as March, he proposed that they appoint commissions, made up entirely of their own nationals, to negotiate for working capital from Allied countries and that they undertake the transportation of their supplies inward and of exports outward. He said that it was possible for these countries to experience a growth in exports that would produce an economic equilibrium by the fall harvest. Hoover called for removal of the blockade to facilitate this growth.\textsuperscript{17} The

\textsuperscript{15}Cecil to Lloyd George, 8 April 1919, Lloyd George Papers, F/6/6/28.

\textsuperscript{16}Memorandum from Hardinge, 12 April 1919, FO 608/18, PRO.

\textsuperscript{17}Memorandum from Hoover, App. 41 to SEC Minutes, 24 March 1919, PPC, 10:94-95.
blockade was the one problem for this area over which the Allies and the United States had complete control.

The blockade of Czechoslovakia, Rumania, Austria and the countries bordering the Adriatic had been removed earlier. All blockade and trade restrictions were removed from Poland and Estonia on April 1 and from Latvia and Lithuania a week later, with the condition that there be safeguards against re-exportation to Germany and Russia.18

British SEC personnel, like Hoover, wanted the removal of all artificial economic restrictions in the interest of economic growth.19 There remained, however, the blockade of Germany, Russia, and Hungary. Aside from the blockade of Germany, those of Hungary and Russia proved to be the most worrisome to eliminate. In mid-May the Council of Foreign Ministers instructed the SEC to prepare for the elimination of Hungary's blockade when that country could reestablish order.20 A few days later, the SEC adopted a British proposal for public announcement of blockade suspension.

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18 Resolutions of Blockade Section, Appendices 46 and 47 to SEC Minutes, 24 March 1919, PPC, 10:98-99; Note from SWC, App. 52 to SEC Minutes, 7 and 9 April 1919, PPC, 10:113-114.


20 SEC Minutes, 12 May 1919, PPC, 10:247.
conditional upon the Hungarian government's assurance of stable national conditions.\textsuperscript{21}

French SEC delegates proposed that Russia, both an enigma and a key to the stability of Europe, be treated in the same manner as Hungary with an announcement that the blockade would be lifted with the existence of a stable government. Throughout the spring, the SEC continued to administer an undeclared blockade of Bolshevik Russia, fearing that any trade with Russia would profit only the Bolsheviks.\textsuperscript{22}

Americans proposed lifting the blockades of Hungary and Russia along with that of Germany. An unannounced and informal blockade, they said, would be difficult to maintain.\textsuperscript{23} In mid-June, on the SEC's recommendation, the Council of Four ruled that after Germany's signing of the peace conditions and the concurrent lifting of the blockade of that country, the Allies would not interfere with the delivery of commodities to Bolshevik Russia or to Hungary. Neither would they take positive steps or make public

\begin{footnotes}
\item \textsuperscript{21} SEC Minutes, 19 May 1919, \textit{PPC}, 10:265.
\item \textsuperscript{22} Note on Commercial Relations with Russia, 30 May 1919, App. 173 to SEC Minutes, 2 June 1919, \textit{PPC}, 10:334.
\item \textsuperscript{23} Memorandum from McCormick, App. 174 to SEC Minutes, 2 June 1919, \textit{PPC}, 10:336.
\end{footnotes}
announcements indicating the resumption of trade with these countries.24

While seeking to relieve the deprivation in eastern Europe, SEC personnel encountered no greater hindrance than the lack of economic cooperation between the new countries. For instance, they had to convince Yugoslavia that it was essential for the revictualling of Hungary, Austria, and Rumania that they release some of their food surplus from the Banat region.25 Hoover observed that Yugoslavia seemed "loath" to export these supplies.26

In another instance, Austria had arranged, under signed agreement, to import coal, petrol, and oil from Poland. Poland refused to honor the contract, and Vienna reported to the SEC that the city was in danger of losing all heat and lighting. At the same time, Czechoslovakia threatened to break an agreement to export coal for gas production to Vienna if the Austrian Government refused to supply ammunition which the Czechs had requested. The SEC intervened. They requested that Poland and Czechoslovakia supply the exports contracted to Austria and urged Austria


25SEC Minutes, 5 May 1919, PPC, 10:229.

26Memorandum from Hoover, App. 119 to SEC Minutes 5 May 1919, PPC, 10:232.
to supply the ammunition which Czechoslovakia had requested. These negotiations were time-consuming and continually hampered the relief efforts of the SEC.

Cecil expressed the frustration other SEC delegates were experiencing when he complained that the new states were fighting each other while expecting economic and medical assistance from the SEC. He suggested to Lloyd George that these new states be told to stop fighting or all help would be withdrawn. On May 14, Cecil received permission from the Council of Four to use economic pressure to stop conflicts between the new states. This was, in effect, what the SEC had done in reimposing the blockade of Hungary.

British SEC delegates, along with Hoover, maintained that the most important task of the Allied Governments was to stimulate production and trade in the eastern European states. Provision of food and credits, they said, was merely a temporary solution and outside assistance must be reduced to a minimum, if for no other reason than that there was so little of it available. Self-sufficiency was the permanent solution. In April, the SEC reviewed the

27SEC Minutes, 23 June 1919, PPC, 10:373.

28Cecil to Lloyd George, 10 May 1919, Lloyd George Papers, F/6/6/44.

29Council of Four Minutes, 14 May 1919, PPC, 5:601.
obstacles blocking significant production in eastern Europe and found them to be destroyed communications, lack of raw materials, reduction of agricultural production, inflation, enormous taxation, indebtedness, labor difficulties, tariffs, a general lack of confidence in the new state governments, and restrictions due to the blockade of Germany, Russia, and Hungary.30

In addition, epidemics of illness continued in the new states. In April, the Red Cross reported to the Council of Four that disease was rampant from the Baltic to the Black and Adriatic Seas. Sir David Henderson, of Britain, serving as Director General of the League of Red Cross Societies, reported in May that there were one thousand Red Cross workers endeavoring to bring medical relief to eastern Europe. In eastern Poland alone there were more than one hundred thousand cases of typhus.31 While administering this medical relief, the Red Cross depended on SEC assistance to obtain medical supplies from army surplus or other sources, and to transport supplies and personnel to

30Note from British Delegates, App. 51 to SEC Minutes, 7 and 9 April 1919, PPC, 10:110-115; SEC Minutes, 5 May 1919, PPC, 10:233.

hospitals and other points where medical aid was required. Since February, Red Cross representatives had met regularly with the Food Section to coordinate relief efforts.

At the beginning of summer, British SEC delegate Gertrude Dixon made an investigative trip into the successor states of the Austria-Hungary Empire, and reported virtually no economic progress there. Her assessment of Austria's condition was particularly discouraging. Formerly in command of an economic empire, Vienna was the capital of an area with negligible industry and agriculture, truncated railway systems, and few mines. Austria had placed all realizable assets at the disposal of the SEC in order to receive relief. Collateral for loans to Austria, arranged by Keynes on behalf of Britain, France, and Italy, included gold, silver, foreign securities, salt mines, state forests, buildings, public utility enterprises, and all

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32Resolution on Supply of Medical Relief to Germany, 21 May 1919, App. 177 to SEC Minutes, 2 June 1919, PPC, 10:339.


34Austrian Delegation to SEC, 9 July 1919, App. 237 to SEC Minutes, 10 July, 1919, PPC, 459.
future revenues of the Austrian Government of "whatever description." 35

Throughout these new states, Dixon reported malnutrition, reduced initiative, poor clothing, bad housing, high prices, and poor and insufficient machinery. She said the people were "day dreaming about potentialities of perfectly righteous social ideals," expecting security from political power rather than from their own labor. The Bolsheviks, according to Dixon, were capitalizing on this area's desperate condition. 36

In June, General Harry O. Mance, chairman of the SEC Communications Section, and others working in the Balkan, Baltic, and east central European areas said that success in achieving British goals in eastern Europe depended upon a "correct" policy toward Russia and the Bolsheviks. 37 Lloyd George had expressed this view earlier. In April, one opinion within the Government had been that the anti-Bolshevik forces were losing the fight and that it


36 Gertrude Dixon to Hoover, June, 1919, George Barr Baker Papers, Hoover Institute Archives, Palo Alto, Calif., Box 14.

37 Memorandum on Russian Policy by Mance, 22 May, 1919, PRO 30/66/15, PRO.
would be in Britain's interest to make peace with the Bolsheviks. In May, Mance had maintained that against the successful Bolshevik Army, an invasion from the outside would fail. He foresaw no stability in Russia for years to come because the Bolsheviks were in control and the anti-Bolsheviks would not give up their resistance.

Mance advocated the formulation of a consistent and effective British policy toward Russia in the interest of British economic success in eastern Europe. Along with other British SEC delegates, he advised that an investment of money and effort in this region could result in a substantial profit for England. He proposed acceptance of the revolution with a promise to the Bolsheviks of relief and economic reconstruction and of restoration of trade relations in return for their initiating a democratic government and for their promising not to interfere in the internal affairs of other eastern European countries. Until the Bolsheviks would agree to these terms, Mance advocated the provision of relief and the restoration of commercial relations for the anti-Bolshevik forces only.

British SEC delegates, in keeping with the assessment of Mance that normal trade relations with Russia were

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38 Barnes to Lloyd George, 30 April 1919, Lloyd George Papers, E/4/3/11.

39 Memorandum on Russian Policy by Mance, 22 May 1919, PRO 30/66/15, PRO.
crucial to gaining access to east European markets, requested additional funds for the purpose of relief and reconstruction in Russia. Cecil instructed the SEC sections to prepare for the inclusion of Russia in their sphere of operations.\textsuperscript{40} The Food Section reported, within a few days, that they could provide food for Russia when the Communications Section's improvement of Russian railway facilities was sufficient to allow delivery.\textsuperscript{41} In fact, during 1919, the SEC sent 34,770 tons of relief supplies to south Russia and a smaller amount to northwest Russia, all to provision the anti-Bolsheviks. Most of this came from the resources of the United States, but Britain provided some of it.\textsuperscript{42}

Through the summer, Hungary continued to be a problem because of the fear of the spread of Bolshevism and Kun's refusal to reduce the Hungarian army in conformity with the armistice terms.\textsuperscript{43} To the Allies, Hungary, under the control of Kun, was a dangerous political force. The

\textsuperscript{40}Memorandum from British Delegates on SEC work in Russia, 10 June 1919, App. 189 to SEC Minutes, 10 June 1919, PPC, 10:359-360.

\textsuperscript{41}Report from Food Section on Russia, 14 June 1919, SEC Minutes, 16 June 1919, PPC, 10:368-369.

\textsuperscript{42}Despatch from Goode.

British said that the strength of Kun's army threatened the security of eastern Europe.\textsuperscript{44} It was also a threat to the British goal of strong eastern European states unaligned either to Germany or Russia.

Britons maintained that an economic revival could not occur in the Balkan states until Hungary would abide by the armistice terms.\textsuperscript{45} Kun's Government collapsed on August 1 and he fled to Russia, but Kun was powerful while the SEC was administering relief to eastern Europe. Eventually, the Rumanian army became a problem, refusing to withdraw from Hungary even when the Allies ordered it to do so.\textsuperscript{46}

In the summer of 1919, as the SEC was completing its deliveries of food in eastern Europe, many Britons saw Bolshevism as an increasing menace. Yet, there was still little agreement within the Government as to how to combat it. Cecil, along with Churchill, advocated Allied military intervention, saying that Bolshevism was a threat to the entire Empire. He observed that the Bolsheviks were moving south; he feared they would overrun Afghanistan, gain

\textsuperscript{44} Kerr to Lloyd George, 18 July 1919, Lloyd George Papers, F/89/3/5.

\textsuperscript{45} Memorandum on Hungary for Balfour, 27 July 1919, Balfour Papers, Add. Mss. 49751.

\textsuperscript{46} Telephone Conversation between Lloyd George and Balfour, 13 July 1919, Lloyd George Papers, F/24/1/1.
advantages for Russia in Turkestan, and threaten British interests in India. The general assessment of the British Government was one of caution and sceptism. Officials in the Foreign Office viewed Bolshevism as a danger to democratic institutions. Lloyd George continued to oppose armed intervention and Balfour believed that, in any case, the general British public, weary of war, would not support such a venture.

The work of the Food Section was to end as the fall harvest approached and Hoover, along with other Americans, prepared to return to America. Hoover had delivered the American food surplus to Europe and the United States was impatient to conclude its involvement in the European peace settlement. While Hoover declared the relief endeavor of Europe an accomplished fact, Cecil did not believe that the harvest would end the need for relief and he said the immediate outlook for Europe was dark.

Hoover assessed the economic situation in Europe as "demoralized productivity" and made some harsh judgments.

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47 Cecil to Lloyd George, 7 June 1918, Cecil Papers, Add. Mss. 51076.
48 Barnes to Balfour, 5 July 1919, Balfour Papers, Add. Mss. 49749.
49 Balfour to Barnes, 8 July 1919, Balfour Papers, Add. Mss. 49749.
50 Lloyd George to Cecil, 14 July 1919, Lloyd George Papers, F/6/6/56.
concerning the reasons for its economic status. Europe, he said, was a continent of at least 100,000,000 more than could be supported without imports and that continent must learn to live again by production and distribution of exports. Hoover maintained that Europe had lost its sense of individualism and the economic discipline needed for this task. According to Hoover, it was importing commodities it once made for itself. He acknowledged that European countries lacked some essential raw materials but said they were not utilizing the raw materials available domestically. Physical exhaustion of the European populace, struggles for political rearrangement during the armistice, creation of new and inexperienced governments, and the demand of the general population for a high standard of living with a minimum of effort, Hoover maintained, caused Europe's low productivity.

Hoover identified the conditions under which European nations could expect continued help from the United States. Each country, he said, must "set its house in order," politically and financially, while increasing productivity, curtailing consumption of luxuries, and offering fair treatment to neighboring countries. With these conditions met, the United States would again consider temporary assistance. Some Britons complained that with most of

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51 Memorandum on Economic Situation in Europe, 3 July 1919, Lloyd George Papers, F/89/3/11.
the fluid wealth in the world and despite its profession of high principles, the United States was not carrying a fair share of the world's burdens.\textsuperscript{52}

By October of 1919, the harvest Hoover said Europe should depend upon was in, and Goode made a tour of eastern Europe. The Americans had gone home and all British relief missions except those in Vienna and Budapest had been withdrawn. He saw problems unsolved by all of the efforts of the SEC and no evidence of the capacity for self-sufficiency which Hoover had predicted. Much of the area was still in a state of war. Transportation problems still existed, largely because of inadequate rolling stock and lack of coal. Credits, which might have been possible if the Keynes plan for European credit rehabilitation had been accepted, were still desperately needed for food in most countries, for raw materials in all countries, and for currency stabilization.

Goode reported that economic reconstruction in all of eastern Europe continued to depend on foreign investment which was not likely to be forthcoming to governments whose political existence, along with any assets and liabilities, was in doubt from day to day. He maintained that the United States was the only nation capable of providing the needed credits. He pointed out, however, that it was unreasonable

\textsuperscript{52}Kerr to Lloyd George, 29 July 1919, Lloyd George Papers, F/89/3/12.
to expect investment capital from the United States when the first fruits of that investment would go to payment of reparations. Goode thought it logical to use investments, should there happen to be any, for raw materials which would provide work for the populace. To continue to deliver food to these nations was futile and only contributed to unemployment since they had no opportunity for producing exports or even the products required by their own people.

In addition, Goode found there was still little or no cooperation between the new states in the exchange of the basic necessities of life. In each government, he says he observed both a growing realization that self-interest demanded cooperative efforts on the part of the new states and a reluctance, fostered by racial or political prejudice or by post-war bitterness, to initiate united ventures. Goode expressed the hope that the League of Nations, once in operation, might exert pressure for inter-governmental cooperation.53

Goode predicted that, without an effective economic structure, a political conflagration would occur in all of eastern Europe, similar to the one which had isolated Russia from the "civilized world." To Goode, the threat of Bolshevism was increasingly real.54 British Foreign

53Despatch from Goode.

54Ibid.
Minister Balfour maintained that no body of human beings, although impartial and capable, could find a solution to the "Balkan tangle," definitely establishing peace and an effective economic structure in that area of the world.55 Problems in east central Europe and the Baltic region also claimed Balfour's attention. For instance, there was the aggressive action of the Rumanians, as they continued attacks on Hungary, independent of the Allies and no longer in self defense since Kun's forces were defeated.56 The German military presence in the Baltic, intended to be temporary, proved difficult to terminate. The German soldiers actually remained in the Baltic area until December 1919.57

The new states were dissatisfied with the results of the Peace Conference, which Balfour had called the "civilized world in council."58 Poland, for example, expressed disappointment not to have achieved "friendship" with the Entente powers. Like its neighbors, Poland had

56Memorandum by Balfour on Rumanian Policy in Hungary, September, 1919, Balfour Papers, Add. Mss. 49751.
57Dockrill and Goold, Peace Without Promise, 118-120.
hoped for guarantees of protection and more economic assistance from the Peace Conference.  

During 1919, while overseeing blockade removal, arranging finance for relief and reconstruction, and dealing with a vague policy and lack of attention from the heads of state, British delegates, along with other countries represented in the SEC, facilitated the delivery of 1,900,000 tons of relief supplies to liberated countries and Austria. The total relief supplies delivered that year, including relief for ex-enemy states and excluding that which was delivered to Allies, was approximately 3,000,000 tons. While some supplies were charitable donations, the SEC arranged loans to cover the expense of most provisions. As it engaged in this endeavor, Britain worked with its Allies and the United States to encourage an economic structure that would strengthen the new states between Germany and Russia.  

Britain took the initiative in arranging relief credits, and although two thirds of the food for the liberated states and Austria was of American origin,  

59Cecil to Lloyd George, 7 June 1919, Cecil Papers, Add. Mss. 51076.  
60Despatch from Goode.  
61Hoover to SEC, 23 June 1919, PPC, 10:373.  
approximately 10 per cent came from Britain, an amount greater than that provided by any nation other than the United States. In addition to food, Britain provided relief personnel and tonnage. British vessels carried relief supplies to liberated and ex-enemy states while also providing transport for the Allies. Between September 1918 and August 1919, British vessels carried 2,880,000 tons of foodstuffs to France and 2,010,000 tons to Italy. 63 1919 was a year of strenuous demands on British ships. 64

As the relief work of the SEC ended, there was no eastern European federation and the commercial advantages for which Britain had worked proved to be meager. 65 By 1922, it had lost the gains it had made in the eastern European markets. 66 The United States provided much of the leadership in arranging food and medical relief for eastern Europe through Herbert Hoover and his staff and provided most of the food from its own domestic surplus. Britain did have a significant part in the SEC's provision of food and medicine, however, and an even greater part in the reconstruction of east European communications. This

63 Despatch from Goode.

64 Cecil to Lloyd George, 9 March 1919, Cecil Papers, Add. Mss. 51076.

65 Dockrill and Goold, Peace Without Promise, 128-129.

effort, on the part of Britain as well as other Allies and the United States, saved the hastily created governments of the embryo states from collapsing in anarchy.67

67 Despatch from Goode.
CHAPTER X

THE RESTORATION OF EUROPEAN COMMUNICATIONS

As they reviewed their work at the end of 1919, SEC personnel observed that the most devastating effect of the war, other than the loss of life, had been the destruction of all forms of European communications. Also, the political re-structuring of Europe, amid national and ideological antagonisms, disrupted the personnel and the administrations of telegraphic, postal, and transportation systems, especially railway and waterway services. That situation had desperately complicated relief and reconstruction efforts.1 The British provided leadership in the person of General Harry Osborne Nance and made a significant contribution to strengthening eastern Europe in 1919 through their participation in the restoration of communications.

Delivery of food and medical relief to eastern Europe depended upon reliable communications.2 In February,


2SEC Minutes, 9 April 1919, PPC, 10:111.
Food Section delegates complained that conflicts between the new states, as well as between those states and Italy, made satisfactory railway communications, and therefore food deliveries, impossible.\(^3\) Further, the strain of heavy use in the relief effort caused rapid deterioration of immediately available equipment.\(^4\)

In addition to the need to transport relief supplies, British delegates knew that if they were to advance British commercial interests in eastern Europe and if Britain was to gain access to the markets and raw materials in that area, good railway and other communications systems were essential.\(^5\) The oil in Rumania and in southern Russia was of particular interest.\(^6\) Throughout 1919, therefore, the British participated with the United States and other Allies through the Communications Section to restore European communications.

The first order of business at the SEC's February 17 meeting, after organizational procedure, was a statement from British General Harry Osborne Mance that a complete

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\(^3\)SEC Minutes, 25 February 1919, PPC, 10:6.

\(^4\)Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:720.


breakdown in communications threatened all of southeastern Europe. Mance had been Director of Railways for the British War Office since 1916. In 1919, he was conducting investigations to determine the availability of raw materials in the Middle East and the means of access to these materials such as roads and railways. In addition, he was Transportation Adviser to the British Peace Delegation in Paris. As a member of the Commission on Ports, Waterways and Railways, he worked with other members of the British Empire Delegation in the writing of the Treaty of Versailles. Later, he assisted with the communications clauses in the Treaty of Lausanne. In response to Mance's assessment of the communications problems of southeastern Europe, the SEC appointed a technical committee to study the communications problem there and to make suggestions. Mance was named as chairman and there were

7SEC Minutes, 17 February 1919, PPC, 10:4.

8Intelligence Report, 15 March 1919, Harry Osborne Mance Papers, Middle East Centre, St. Antony's College, Oxford, Box A.


10Mance to H. Fountain, 15 November 1922, Mance Papers, Box B.
representatives from the United States, Italy, and France.\textsuperscript{11}

One week after its appointment, this committee confirmed Mance's estimate of European communications. The SEC accepted the committee's recommendations which included an SEC executive committee to organize and coordinate assistance for maintenance, improvement, and operation of port, railway, and telegraphic facilities. Countries that should receive this assistance included those of the old Austria Hungary Empire, eastern Germany, and European countries "further to the east," including Russia.

The technical committee proposed a £20,000,000 allotment for the executive committee's administration, an amount which was to be only a minor part of the total required, with assisted countries making the major contributions.\textsuperscript{12} The executive committee, with a financial as well as a technical representative from each assisting nation, would determine principles to guide in this assistance.\textsuperscript{13} Throughout the restorative effort, American delegates stressed the necessity of self-help on

\textsuperscript{11}SEC Minutes, 17 February 1919, PPC, 10:4.


\textsuperscript{13}Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:720-722.
the part of the eastern European countries and of private 
enterprise in the supply of reconstruction materials.¹⁴

The proposals of the technical committee included one 
major change in the approach of the Allies and the United 
States to European relief endeavors. Each assisted country 
would be the sole responsibility of one of the countries 
represented on the executive committee. Liaison officers 
from other Allied or Associated countries could be attached 
to the missions but these officers would not have the same 
authority as representatives from the assisting country.¹⁵

In food relief efforts, the supply of each country was a 
joint endeavor of the Allies rather than the assignment of 
one power. In fact, Goode, when he directed early post-war 
food relief, had emphasized the desirability of an 
Inter-allied approach to food and medical relief. The 
investment of effort and credits in communications 
restoration, however, would result in a more permanent 
achievement than food provision. Assisting nations could 
build lasting advantages for themselves while participating 
in such endeavors as railway reconstruction.

Mance knew that railroads were a major key to the 
commercial development of all nations. In BEEC meetings, he

¹⁴SEC Minutes, 7 and 9 April 1919, PPC, 10:106.

¹⁵Report on Communications Section in Eastern Europe, 
22 February 1919, App. 11 to SEC Minutes, 25 February 1919, 
PPC, 10:29-30.
requested that Britain find a way to maintain permanent control of the railways it helped to rebuild in ex-enemy territories. He wanted a clause in the treaty to insure this.\textsuperscript{16} It is likely that all assisting nations planned for some permanent advantage as they participated in the restoration of communications systems in eastern Europe.

According to the recommendations of the technical committee, to begin the restoration effort each assisting nation could disburse a designated sum, approved by the executive committee, for an immediate supply of materials for the country or region under its responsibility. If necessary, the assisting nation could make additional funds available, with reimbursement coming later in the light of other financial decisions of the Peace Conference.\textsuperscript{17} As in the case of food and medical relief, repayment of reconstruction loans would carry a first charge on any reparations collected.\textsuperscript{18} Money lent in 1919 was more likely to be repaid if it could be claimed before the division of assets as reparations.

Each assisting nation would appoint a technical mission to examine ports, railways, waterways, and telegraph and

\textsuperscript{16}BEEC Minutes, 7 March 1919, FO 608/75, PRO.

\textsuperscript{17}Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:720-722.

\textsuperscript{18}SEC Minutes, 7 and 9 April 1919, PPC, 10:106.
telephone systems. These missions would make regular reports to the executive committee, recommending necessary materials and appropriate assistance. Members of the missions would also advise local governments and transportation administrations, and, when appropriate, assume temporary control of communications.\(^{19}\) Through temporary control, while rebuilding the communications systems of eastern Europe, the assisting nations could advance national interests.

The technical committee became the Technical Executive Committee.\(^{20}\) Later, it became the Communications Section.\(^{21}\) With representatives from the United States, Great Britain, France, Italy, and a representative of Marshal Foch, the section met alternately at the Ministry of Public Works in Paris and the Board of Trade in London.\(^{22}\) In June, they added representatives from Belgium, the British Navy, and the French Foreign Office.\(^{23}\) They held


\(^{21}\)Communications Section Report, App. 66 to SEC Minutes, 9 April 1919, PPC, 10:130.

\(^{22}\)Directories of the Peace Conference, PPC, 3:149.

\(^{23}\)Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:399.
forty four meetings between February 1919 and February 1920. They conducted investigations, reported the results, and, throughout 1919, made specific recommendations to the SEC. Working through the technical missions and the local governments, the section coordinated the efforts of the nations granting assistance, aiming for the maximum in local initiative, effective international relations, and acquisition of materials through trade channels.

In the early Communications Section meetings, France, Britain, Italy, and the United States discussed the assignment of the areas needing assistance. Mance reported to the British Committee of the SEC that the allocation eventually worked out was a British idea. French delegates, he said, complained that Britain did not have that much authority. Mance answered that although he was open to suggestions, the final disposition would be his determination.

Among Mance's allocations which received no significant opposition were the assignment of the new Yugoslavia to the

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24 Communications Section Report, 6 February 1920, PPC, 10:721.

25 SEC Minutes, 1 and 3 March 1919, PPC, 10:32.

26 Communications Section Report, App. 322 to SEC Minutes, 6 February 1920, PPC, 10:720.

27 Minutes of British Committee, SEC, 28 February 1919, FO 608/75, PRO.
United States, of Greece, Turkey in Europe, the Ukraine and the Donetz Basin to France, of Austria and Hungary to Italy, and of the Baltic provinces and the Don and Caucasus to Britain. Conflicts arose concerning the allocation of Poland, Rumania, Bulgaria, and Czechoslovakia. Originally, Mance had included Rumania, a state in which Britain had demonstrated considerable interest because of its oil, in his allocations for Britain. He had left Bulgaria and Czechoslovakia unassigned and had wanted France to assist Poland. French section representatives, although their country had demonstrated significant interest in developing a strong Poland, objected to accepting responsibility for Poland's communications restoration, saying that they had no direct contact with that state and that Britain, with the necessary maritime tonnage, should assist Poland.

The French wanted responsibility for Rumania because, according to them, this would work logically with the assistance they were giving to Greece and the Ukraine in that same general area. French delegates also pointed out that French troops were already there, and France had, currently in operation, rapid railway communication with Rumania. Like Britain, France had been interested in the resources of that state long before the November Armistice.

To the French request for allocation of Rumania, Mance countered that, before and after the German occupation of
Rumania, England had a technical mission, examining the railways, providing lists of required materials, and arranging finance for acquiring these materials. He said that the Communications Section grew out of British action in Rumania and it would not be wise to suppress all the work that England had done there. He suggested, as a compromise, an Anglo-French mission to assist Rumania. The French refused, saying this would not be compatible with the decision that each country receive aid from only one of the Allied or Associated powers. Finally, Mance agreed that Britain would accept Poland but refused to allocate Rumania to France. It is possible that French delegates reasoned that by refusing Poland and insisting that Britain accept that responsibility, they would gain the advantage of the allocation of Rumania. In 1919 and earlier, both the French and the British Governments were planning for access to Rumanian oil.

The French also requested authority to aid Bulgaria. The Italians objected since their Government, they said, wanted Bulgaria allotted to Italy. In 1919, the oil of Bulgaria was unknown and, unlike Rumania, Bulgaria was not a consideration in the British or French search for control

of petroleum interests. Bulgaria did, however, have coal mines which were of interest to both France and Italy.

The French asked for the allocation of Czechoslovakia to France. They offered the same reason they gave to justify French assistance to Rumania, saying Czechoslovakia was in the area which France was assisting and should logically be under French supervision. Actually, Czechoslovakia was separated from other French areas of assistance by Italian allocations. Like Bulgaria and Rumania, Czechoslovakia had raw materials which France wanted. It was also the most industrialized of the new states. The Americans opposed the French request for the allocation of this state, saying they had studied the needs of Czechoslovakia and, in addition, were already providing a major portion of the food required by that country.29 The United States also had arrangements with Czechoslovakia for repayment of loans which they did not have with some other countries.30 American delegates maintained that the United States should assist Czechoslovakia.

29Communications Section Report, 4 and 5 March 1919, App. 17 to SEC Minutes, 6 March 1919, PPC, 10:46-46.

Finally, Mance deferred allotment of Rumania, Czechoslovakia, and Bulgaria. In March, the section presented the following allocation of countries to the SEC and the SEC approved them:

<table>
<thead>
<tr>
<th>Responsible Nation</th>
<th>Assisted Nation or Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Line of Communications, Adriatic to Prague; Yugoslavia, including Serbia</td>
</tr>
<tr>
<td>Great Britain</td>
<td>Poland; Don and Caucasus; Baltic Provinces</td>
</tr>
<tr>
<td>France</td>
<td>Greece; Turkey in Europe; Ukraine and Donetz Basin</td>
</tr>
<tr>
<td>Italy</td>
<td>Austria; Hungary</td>
</tr>
</tbody>
</table>

After announcing those allocations, the Communications Section sent instructions to the three states that remained unassigned, Czechoslovakia, Rumania, and Bulgaria, for each to create a technical committee, just as other assisted countries were doing, and to have their committees get in touch with the section. It is possible that Mance chose to avoid the participation of other Allies in decisions concerning disputed areas by delaying allocation and by designating control at his own discretion once the work of the Communications Section had begun. Although the

31SEC Minutes, 17 March 1919, PPC, 10:68.
32Communications Section Report, App. 17 to SEC Minutes, 6 March 1919, PPC, 10:44.
list presented to the SEC specified that the United States would be responsible for the line of communications from the Adriatic to Prague, an Inter-allied committee supervised this line.\textsuperscript{33} Americans dominated the membership of the committee.\textsuperscript{34}

In June the SEC considered the question of assistance for the restoration of communications in Bulgaria. Bulgaria had sent no request for aid and no word of appointment of a committee. The Italian government requested permission to send liaison officers there to be attached to a French military mission which was in charge of Bulgarian railways. The SEC raised no objection.\textsuperscript{35} In fact, Communications Section reports near the end of the year indicate no restorative work in Bulgaria and no requests from that country for aid.\textsuperscript{36}

The British railway mission, having been in Rumania since the beginning of the armistice and having already invested \$500,000 of British money in credits, simply continued to assist that state without formal SEC

\textsuperscript{33}Communications Section Report, App. 26 to SEC Minutes, 10 March 1919, PPC, 10:60.

\textsuperscript{34}SEC Minutes, 7 and 9 April 1919, PPC, 10:131.

\textsuperscript{35}SEC Minutes, 30 June 1919, PPC, 10:332.

\textsuperscript{36}Memorandum on Communications Section Since September, App. 300 to SEC Minutes, 6 February 1920, PPC, 10:640-642.
authorization. Britain made and executed plans for Rumania just as it did for Poland, the Baltic provinces, the Don basin, Caucasus, and Trans-Caucasus.37

The Don River, the basin of which was one Russian area of British assistance, rose near Tula, south of Moscow, and flowed, first south and then west, 1,222 miles to the Sea of Azov. Another area of British responsibility, the Caucasus, consisted of 154,250 square miles between the Black and Caspian Seas. Transcaucasia, a region not included in the allocations presented to the SEC in March but one for which Britain assumed responsibility, lies between the Caucasus Mountains and the borders of Turkey and Persia and included Azerbaijan, Georgia, and Armenia. This southern section of Russia is near Asia Minor which is between the Black and Mediterranean Seas and was another area in which the British were seeking an opportunity to gain oil.38

In December 1917 the British and French had written an Anglo-French Memorandum promising support for Russian national groups struggling against Bolshevism. They also concluded a secret bilateral convention between their two countries through which they defined the geographic areas in

37Communications Section Report, App. 66 to SEC Minutes, 7 and 9 April 1919, PPC, 10:129; Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:401.

38Anglo-French Oil Agreement, 13 March 1919, FO 374/132, PRO.
southern Russia for which each would be responsible in giving aid. Britain was to assist the Transcaucasus and North Caucasus and France would assist Bessarabia, the Ukraine, and the Crimea. This secret agreement laid the groundwork for the British to move into the Transcaucasus with various kinds of assistance and to advance their national interests by gaining access to raw materials and markets. Cecil was among the British present when the memorandum and the secret bilateral convention were written.39 This French agreement to British dominance in Transcaucasia made it easy for Mance to simply assume the allocation of this area for the British.

Mance, in the spring of 1919, was collecting information concerning other raw materials in Asia Minor, such as chrome mines, with descriptions of pitheads, current ownership of land, and means of access such as roads.40 In nearby Kurdistan, he was investigating the problems involved in laying railway routes.41 In this area also, through the British Government's indirect investment in the Turkish Petroleum Company dating to pre-war days, Britain


40Intelligence Report, 15 March 1919, Mance Papers, Box A.

41W. M. Burton to Mance, 1 March 1919, Mance Papers, Box H.
hoped to gain from any petroleum deposits discovered in Baghdad and Mosul. The Anglo Persian Oil Company, in which the British Government owned more than 50 per cent of the stock and which supplied the Royal Navy with petroleum, held 50 per cent of the stock in the Turkish Petroleum Company.42

Britain, through the efforts of Mance and others, was seeking control of raw materials and especially oil. If, through his work in the SEC, Mance could acquire some control of railroads in the Baltic and southern Russia, it would be an asset in utilizing raw materials which Britain already controlled and in gaining access to additional raw materials. Railroad control would also bring trade advantages from the Baltic ports, down through southern Russia, and into Asia Minor and the Middle East.

Aside from British interests in the neighboring areas, SEC personnel were enthusiastic about the advantages to be gained from reconstruction in Russia alone because of that country's seemingly unlimited resources.43 British SEC delegate J. L. Garvin maintained that Britain should unlock Russia's natural resources for European relief as well as for British domestic consumption, industrial reconstruction,

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42Communications Section on Allied Assistance in Russia, 19 June 1919, PRO 30/66/15, PRO.

and employment. He pointed to the need for Russia's wheat and other cereals, its butter and eggs, its flax and hemp, its hides and its skins and, above all, the wood from Russian forests for Britain's current housing program. Because of its natural resources and its proximity to other areas of interest, Mance maintained that an investment in southern Russia would help to avoid future problems and be "a savings in the long run."

In addition, many inhabitants in this region welcomed the British presence. For instance, Armenians feared British evacuation of the area would mean giving the Turks permission to resume their massacres. Also, British Communications Section personnel cooperated on railway repair with General Anton Denikin, who was commanding the anti-Bolshevik volunteer army at the time the Peace Conference was meeting.

Russian railways were working at only 20 per cent of their pre-war capacity in the early months of the armistice period. Mance estimated that restoration of

44Ibid.

45Memorandum on Russian Policy by Mance, 22 May 1919, PRO 30/66/15, PRO.

46Kerr to Lloyd George, 29 July 1919, Lloyd George Papers, F/89/3/12.

47Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:400.
communications in European Russia would require credits of at least £1,000,000. With the cooperation of Cecil, he continued to press for increased British financial assistance in this endeavor. He planned to use the money not only for tools and railway materials, but also for food, clothing, and medicine for railway employees.

As in the case of providing food, the British SEC delegates viewed the restoration of communications for the new states of eastern Europe as an opportunity to support the British Government's goal of a European balance of power that would prevent Russian or German expansion. This endeavor was in keeping with the British post-war goals. When the SEC delegates requested money to provide relief and reconstruction for Russia, however, they encountered the inconsistent policy of the British Government.

In all of their efforts, Communications Section personnel encountered problems similar to those which faced the food relief personnel. Famine, disease, political unrest, blockade restrictions, unstable governments, lack of cooperation among the new states, and the absence of

48 BEEC Minutes, 11 April 1919, FO 608/75, PRO.
49 Cecil to Lloyd George, 8 May 1919, Lloyd George Papers, F/6/6/43.
50 Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:400.
authority to enforce contracts affected every aspect of their work. Further, they faced the resistance of military leaders who controlled equipment and facilities required for the restoration. For example, Mance wanted access to German locomotives and wagons surrendered under the November armistice; to get them, he had to work with the military missions, which were under the direction of Foch. In April, about the time Wise made his report on the relationship of the SEC to other Inter-allied councils and commissions, the SEC issued a statement that the Communications Section, as a sub-committee of the SEC, would work with the military missions but would receive instructions only from the SEC. This decision was in keeping with the acceptance of Wise's proposals by the Council of Foreign Ministers for the Sub-Committee on Germany and the Rhineland Commission, both of which served to separate economic endeavors from military control.

A conflict concerning use of waterways required a change in administration. Military authorities controlled

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53 Communications Section Report, App. 97 to SEC Minutes, 22 April 1919, PPC, 10:192.

54 SEC Minutes, 7 and 9 April 1919, PPC, 10:130.
the Elbe, Rhine, and Danube Rivers. SEC relief personnel wanted all artificial controls and military restrictions removed since they maintained that the rivers were no longer important military lines of communication. They asked for commissions with representatives from the riparian states, the Allies, and the United States to administer the use of the rivers for economic purposes, such as trade and the delivery of relief supplies. In late April, SEC personnel were divided on how to achieve this separation of authority. On May 5, however, the SEC approved the proposals of the relief personnel and stipulated that the commissions supervising economic use of the rivers should report directly to the Communications Section. One week later, the Council of Heads of State approved this SEC action. Once again, the SEC assumed authority that formerly had been Foch's.

55Memorandum from American Delegates on Military Control of the Danube, App. 111 to SEC Minutes, 23 April 1919, PPC, 10:216.
56Note from Mance, App. 115 to SEC Minutes, 28 April 1919, PPC, 10:223-224.
57SEC Minutes, 28 April 1919, PPC, 10:220.
59SEC Minutes, 12 May 1919, PPC, 10:251.
In addition to problems common to all assisting nations, Britain encountered obstacles peculiar to the new states under its supervision. Rumania fought territorial battles with Hungary. Russia was still in a state of revolution. In Poland, fighting with German forces continued until mid-February. In May, the Communications Section requested help from the SEC in forcing Germans to allow railway material, as well as commercial shipments, to pass through Danzig to Poland.

A further conflict arose concerning the transport of Joseph Haller’s Army from France to Poland by way of Danzig. Made up of Polish men, volunteers from the United States, and deserters from Germany, Haller’s Army had been organized and equipped on the Western Front to aid the Allies. Haller was a Polish general and politician who served in the Austro-Hungarian Army. He had joined the Allies to command this army of more than 50,000 in France in 1918. In March 1919, participants at the Peace Conference were spending a lot of time discussing the practical aspects of getting these troops back to Poland. One of the


61Note from Communications Section, App. 165 to SEC Minutes, 26 May 1919, PPC, 10:319.
practical matters involved convincing the Germans to allow Haller's Army to pass through Danzig to Warsaw. The German Government opposed plans to transport those troops to Poland, fearing the Poles would take advantage of the opportunity to seize German territory, but finally agreed to their transport by rail.

Polish military operations, other than those involving Germany, continued through most of 1919 as the new Polish Government tried to annex territories that had belonged to Poland before the First Partition. In August, personnel working on railway reorganization in Warsaw found it difficult to determine if Poland was at war or at peace. In Poland, as well as the Baltic states, refugees, many of whom were fleeing Bolshevism, caused an additional complication. Yet, from the beginning, British reconstruction efforts were successful in Poland and


64 Communications Section Report, App. 322 to SEC Minutes, 6 February 1920, PPC, 10:723.

65 SEC Minutes, 1 September 1919, PPC, 10:498.

66 Memorandum from Director General of Relief to Council of Five, App. 234 to SEC Minutes, 1 August 1919, PPC, 10:507-508.
British SEC representatives said this was largely because of Polish efforts. In the Baltic states, British Communications Section representatives encountered German soldiers who remained there throughout 1919, under authority of the Allies, to prevent the spread of Bolshevism. The Germans' war-time aim had been to control this region. They wanted to advance German Kultur and Lebensraum and their efforts continued after the armistice. German soldiers controlled much of the rolling stock and local railway transportation and ethnic German landholders in the area reinforced German control. The inhabitants of the Baltic states feared that the Germans would take all working railway equipment with them at the time of departure, as they had taken industrial equipment during the war. The Estonians were already appealing

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67Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:401.

68Communications Section Report, 1 January 1920 to SEC Minutes, 6 and 7 February 1920, PPC, 10:723.


70Locomotives for Lithuania, App. 204 and Memorandum from Lithuanian Delegation, App. 205 to SEC Minutes, 23 June 1919, PPC, 10:380-381.
for reparations based on German removal of property during the war.71

Britain and other assisting nations worked to overcome the obstacles to the restoration of communications. Telegraphic and postal communications received priority consideration because financial arrangements for other relief endeavors were dependent on this service. For instance, Bulgaria found it impossible to dispose of property in foreign countries, her only resource other than credit, without this asset.72 By May, in cooperation with the Food Section, the Communications Section had a telegraph service in operation. Staffed by relief personnel, it connected all principal European capitals.73 This service facilitated many of the SEC relief and reconstruction endeavors.

The task of restoring railway communications, however, was not accomplished so quickly. The needs of the east European countries varied in intensity. Those of Serbia,


72 Telegram Concerning Relief Supplies for Bulgaria, 7 March 1919, App. 29 to SEC Minutes, 10 March 1919, PPC, 10:63.

where SEC personnel reported complete destruction, were the most severe. In June, as other sections were preparing to disband or assume new structures, the Communications Section was still working toward its goals. Orders had been placed for railway repair materials, and Mance had received authorization to dispatch one hundred armistice locomotives and two thousand armistice railroad cars from France.

The June Communications Section report contained information concerning organizational procedures. For all areas in which reconstruction was taking place, a weekly uniform statement included accomplishments of repairs on locomotives, wagons, and passenger vehicles, amount of usable track, average number of trains per day of different classes, and any other information that would aid in an evaluation of the transportation in that country. The section also collected regular reports concerning river navigation, including cargo capacity of river-going vessels, percentage of river fleet awaiting repairs, factors limiting traffic, and actions taken to remove limitations. In the first four months of its existence, the section had

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74 Atwood to Hoover, App. 206 to SEC Minutes, 23 June 1919, PPC, 10:396.

75 Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:401-403.

76 Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:401-403.
accomplished enough that British delegates recommended its efforts be continued. The SEC approved the recommendation, and the Communications Section retained its original structure and tasks through the fall of 1919.

As the summer began, while British personnel reported major successes in Poland and minor successes in Rumania and the Baltic states, they could do little more than plan for organization of the reconstruction effort in Russia. At the beginning of the armistice, 80 per cent of the Russian rolling stock was unusable, and it was estimated the remaining 20 per cent would last only two months longer. In June, the situation had deteriorated. Because of political conflicts, inefficient manpower, lack of rolling stock in good repair, and shortage of materials and coal, transportation had almost ceased in Russia.

In addition to the hindrances within Russia, the British Government, in June, still offered no consistent policy as to how to deal with the many groups vying for power there except to offer material aid to the

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77 Memorandum from British Delegation, App. 212 to SEC Minutes, 23 June 1919, PPC, 10:561.  
78 Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:401-403.  
80 Minutes of British Committee, SEC, 28 February 1919, FO 608/75, PRO.
anti-Bolsheviks. British SEC personnel were prepared to attempt railway repair, in spite of the problems involved, as soon as their Government and other Allies and the United States decided such action was appropriate. They said that reorganization of communications was the most important step in furnishing relief for Russian inhabitants and in achieving the British goal of gaining access to the raw materials within Russia. They further maintained, even aside from British interests, that Russia's resources could be the solution to the 1919 European relief crisis.\textsuperscript{81}

Even with the indecision of the principal Peace Conference delegates concerning Russia, British reconstruction personnel were able to make some progress. The British, like the United States and some other western nations, had railway experts in Siberia, Archangel, and Murmansk. Most of these officials worked with Allied forces or other groups who were fighting the Bolsheviks and they achieved some minor advances in railway restoration.\textsuperscript{82}

In the Trans-Caucasus region, the British technical mission increased dependable transportation between the Black and Caspian Seas. Their biggest challenge in this endeavor,

\textsuperscript{81}Memorandum on Railway Situation in Russia, App. 209 to SEC Minutes, 23 June 1919, \textit{PPC}, 10:409-412.

\textsuperscript{82}Memorandum on Railway Situation in Russia, App. 209 to SEC Minutes, 23 June 1919, \textit{PPC}, 10:409-412.
according to their reports, was local corruption and inefficiency. They cited political conflicts between Georgia, Armenia, and Azerbaijan as particularly debilitating to communications efforts.

In September, when the duties and directions of the SEC had changed significantly, the Communications Section again received SEC instructions to continue the work it had begun with the SEC's first meeting. Along with their endeavors in physical restoration, Communications Section personnel had served as liaisons between the new governments to accomplish efficient railway administration. In the late summer and fall, they helped to plan for an international railway system, a contribution of permanent significance. A convention of representatives from interested Allied countries met August 6 and 15 and September 6 at the Ministry of Public Works in Paris. Their goal was the earliest possible resumption of railway communications between France, England, Belgium, and the old

83 Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:402.

84 Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:728.

85 SEC Minutes, 20 September 1919, PPC, 10:561.

86 Communications Section Report, App. 207 to SEC Minutes, 23 June 1919, PPC, 10:401-403.

87 Communications Section Report, App. 322 to SEC Minutes, 6 February 1920, PPC, 10:734-738.
and new countries of eastern Europe. Plans for the Simplon-Orient Express, also called the 45th Parallel Express, and the Paris-Prague-Warsaw Express, or 50th Parallel Express, were the result of the meetings.

In August, they arranged the organization of the Simplon-Orient Express, with direct coaches from Paris to Belgrade and from Paris to Bucharest and planned for extensions in the near future to Sofia and Constantinople and finally to Salonica and Athens. This Express was scheduled to begin operation in October 1920. At the same time, the Ostend-Brussels-Milan train would begin to connect at Milan with the Simplon-Orient Express. Countries wishing to participate signed a convention on August 22, 1919.

The Paris-Prague-Warsaw Express was to run between those three cities three times per week. An attached coach would run from Paris to Vienna and a train running between Ostend and Strasbourg would connect at Strasbourg with the Paris-Prague-Warsaw Express. Representatives of the September meeting established a time table for this Express and for a through train of first, second, and third class passenger vehicles to circulate between these three capitals. The schedule called for the Express to begin in late January 1920.88 Mance cited delays in ratification

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88Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:734.
of the peace treaties as the reason the Express was not functioning sooner. Redistribution of railway facilities and rolling stock would come with the territorial settlements of the peace treaties. For instance, some of the new states would have to return locomotives and wagons taken from others during the war.\textsuperscript{89} As long as these settlements were tentative, the Communications Section had difficulty making its work definite.

As plans for the Simplon-Orient Express and Paris-Prague-Warsaw Express were being made in August, there was a conference between Germany and the Allies to discuss direct communication over German railways as well as re-establishment of postal communications with that country. Foch reported that railway communication between occupied and unoccupied Germany was operative.\textsuperscript{90} In November, the Communications Section announced the reinstatement of train service between Germany and major European cities.\textsuperscript{91}

In late November, immediately following Goode's inspection trip to eastern Europe and his discouraging assessment of the impact of Allied and United States relief

\textsuperscript{89}Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:732.

\textsuperscript{90}SEC Minutes, 1 August 1919, PPC, 10:492.

\textsuperscript{91}SEC Minutes, 21, 22, and 23 November 1919, PPC, 10:614.
endeavors, the Communications Section filed a more optimistic report with the SEC. While the section's task was incomplete, all countries except Bulgaria, Austria, Russia, and Hungary had made progress in acquisition, repair, and maintenance of communications services.92 Mance had made an inspection trip through eastern Europe, with reports to the British Board of Trade. He visited the missions of the Communications Section, assessing their work.93 Where achievements were made, according to Mance, it was because of the availability of loans for the purchase of materials and tools and of the accessibility of surplus army railway material.

When the Americans had gone home, the Communications Section had combined United States areas of responsibility with the Italian assistance to Austria and Hungary to make the Vienna Mission. Although it was an Inter-allied mission, it was under Italian presidency.94 This gave to Italy the supervision of a large part of the former Austro-Hungarian Empire, the area which was of most interest to it in the peace negotiations. By late August when this

92 Communications Section Since September 22, 1919, App. 300 to SEC Minutes, 21, 22, and 23 November 1919, PPC, 10:640-642.

93 Mance to Carlili, Board of Trade, 24 October 1919, PRO 30/66/13, PRO.

94 Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:720-729.
administrative change occurred, the British were deeply involved in their interests to the east. In the original allocation of nations needing assistance with communications systems, France had shown little interest in the areas of United States assistance with the exception of Czechoslovakia. By August, Czechoslovakia had achieved virtual independence in the administration of its communications systems and was working with France in joint endeavors to repair the railway systems of both countries. These factors could have contributed to the lack of opposition to this increase in Italian control.

Of the areas of Britain's particular responsibility, by the end of the year Poland had experienced the most progress in the restoration of communications, despite the hindrance of military operations to the work there. The British were less successful in the Baltic countries, and the Don basin, Caucasus, and Trans-Caucasian regions, and they cited political confusion as the primary reason for a "chaotic" situation. In response to the requests from Mance and others, the British Government had provided a credit for the Russian areas of 1,000,000, 500,000 for railway supplies and an equal amount for equipment, clothing, and medical supplies for the railway staff. Some of these supplies had

95Communications Section Since 22 September 1919, App. 300 to SEC Minutes, 21, 22, and 23 November 1919, PPC, 10:640-642.
been used in the British effort to aid the anti-Bolsheviks. Other than aid to the anti-Bolshevik forces, SEC personnel could only plan for relief and reconstruction in Russia.

Rumania, despite early credits and efforts, had improved its communications system only slightly. Rumania continued its attacks on Hungary, ignoring the Council of Four's instructions to cease, and those attacks prevented the delivery of supplies for several months, thus slowing the work of the Communications Section. Any improvement in Rumanian communications was due partly to the rolling stock that Rumania removed from Hungary while it was fighting Bela Kun's forces and later as it fought to establish territorial claims.

At the end of 1919, Mance listed the conditions that would further facilitate restoration of communications in eastern Europe. They were ratification of the peace treaties, cooperation among the new states, a larger coal allotment, more workmen, more loans, and, in most countries, improved local administration of communications. Disorganization in local transportation administrations, according to Mance, was primarily the result of the divisions of railway systems and of personnel that accompanied the political re-structuring in this area.\(^6\)

\(^6\)Communications Section Report, 1 January 1920, App. 322 to SEC Minutes, 6 and 7 February 1920, PPC, 10:720-729.
In November, in an effort to overcome the inefficiency and the mistrust that still existed in Austria, Italy, Poland, Rumania, and the Ukraine, the Communications Section had formed an Interchange Traffic Committee which met in Vienna to discuss such matters as the checking and interchange of railroad cars at frontier stations.\(^7\) Lack of coal, largely due to strikes by miners and by railway personnel, was receiving SEC attention through the European Coal Commission.\(^8\)

As 1919 ended, the Communications Section could claim some permanent results. Telephone and railway connections were operational between major European cities, and plans for further connections were being executed. In addition, the Communications Section's efforts aided the Food Section in preventing famine and anarchy during the armistice period.\(^9\)

As for protection of British interests, the British delegates of the Communications Section, just as those of the Finance and Food Sections, had led in transferring authority from Foch to the SEC. They had done this through

\(^7\)Communications Section Since 22 September 1919, App. 300 to SEC Minutes, 21, 22, and 23 November 1919, PPC, 10:640-642.

\(^8\)Lt. Col. M. Brown to Communications Section, 16 January 1920, App. 317 [Enclosure 2], to SEC Minutes, 6 and 7 February 1920, PPC, 10:703-704.

\(^9\)SEC Minutes, 28 April 1919, PPC, 10:218-219.
the technical missions and their involvement with the military missions and through administrative changes in the control of river traffic. As the British concluded their efforts through the SEC Communications Section, however, they had made little progress in actual repair of the area's communications systems, except for those of Poland. There was still much to do if they were to facilitate their trade opportunities from the Baltic ports down through southern Russia and into Asia Minor and the Middle East, with efficient communications systems. Nevertheless, Mance had maintained British control in the areas of primary British interest, such as Rumania, the Baltic, and southern Russia, bringing Britain closer to achieving its goal of access to raw materials and markets in eastern Europe.
CHAPTER XI

THE SEC AS AN INTERNATIONAL ECONOMIC COUNCIL

After the Germans signed the Peace Treaty on June 28, the SEC altered its structure and the focus of its work. The first seven months of 1919 had been devoted to relief and reconstruction for eastern Europe and Germany and to the modification and finally the lifting of the blockade of the Central Empires. By early August, most of the food and medical relief was accomplished, and the blockade had been removed. Only the Communications Section retained its original structure and remained active during the fall of 1919; it continued its restorative efforts and participated in plans for railway service to connect the major cities of continental Europe. Other sections ceased or began the transition to the Committee to Organize the Reparation Commission or to the League of Nations.

On June 10, SEC delegates discussed the future of the Supreme Economic Council. Along with other British delegates, Cecil said there would be a need for Allied economic cooperation during the early peace period, and he directed the Committee on Policy, appointed at an earlier
SEC meeting, to make a study and to recommend, for the consideration of the Council of Four, modification of the SEC's constitution and goals. He also announced that the SEC would move its headquarters to London as quickly as possible. Cecil had received Lloyd George's approval for this move in May. In fact, although the seat of the Permanent Committee, a part of the SEC in the latter half of the year, was London, the meetings of the full SEC for the remainder of June and July took place in Paris and beginning in August, the SEC met one time each in London, Brussels, Rome, and again in Paris.

In May, Cecil had requested to be relieved soon of his SEC duties. He did not officially resign until July. Cecil had been actively involved in drafting a covenant for the League of Nations and his interest was in the British


2Cecil to Lloyd George, 8 May 1919, David Lloyd George Papers, House of Lords Record Office, London, F/6/6/43.

3SEC Minutes, 23 June 1919 through 7 February 1920, PPC, 10:430-788.

4Cecil to Lloyd George, 8 May 1919, Lloyd George Papers, F/6/6/43.

5Cecil to Lloyd George, 12 July 1919, Lloyd George Papers, F/6/6/55.
contribution to this effort. He had told Lloyd George in December that he hoped the League would not turn into a "glorification of Wilson."\(^6\)

At an SEC meeting on June 23, the British, French, Belgian, and Italian delegations presented their recommendations for the structure and the functions of the SEC following the armistice period. French delegates wanted an SEC with a new structure to oversee the liquidation of Inter-allied economic enterprises already in progress, such as food relief until the harvest and completion of the restoration of communications, and to advise the European governments in formulating policies to produce stable economic conditions. The French called for personnel with practical knowledge of economic, industrial, and financial matters to staff the modified SEC, which according to the French, should eventually be a part of the League.\(^7\)

Italian SEC representatives wanted a consultative body to facilitate economic cooperation. They proposed that the SEC continue in the new form they recommended until the achievement of stable European economic conditions.\(^8\)

\(^{6}\)Cecil to Lloyd George, 19 December 1918, Lloyd George Papers, F/6/5/53.


\(^{8}\)Note by Italian Delegation on Inter-Allied Cooperation After Peace, 16 June 1919, App. 215 to SEC Minutes, 23 June 1919, PPC, 10:426-427.
Belgian delegates recommended that the SEC and its sections, as originally organized, remain in effect until the end of 1919.9

The British wanted the SEC, beginning in the fall of 1919, to consider matters of common interest to the Allies, such as the amount of money they would allow Germany to spend in the next two years on food and raw materials. The Treaty of Peace stipulated that the Allies would make this decision. Britain wanted the SEC to insure that the Allies and the liberated territories would not suffer industrially because of the provisions for Germany.10 This had been a part of Wilson's original plan and a goal of the British Trade Department from the beginning of the SEC. Also, Lloyd George wanted a common purchasing policy for the provisions of the Allies and said it could be directed through a continued SEC.11

Although, during the first six months of 1919, the most apparent demonstration of Allied self-interest had been the pursuit of each for trade advantages, from its beginning,

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the SEC had attended to the provisioning of Allied countries. For example, at the SEC's February 25 meeting, both France and Italy had appealed for food and raw materials for their respective countries and particularly coal for Italy. In fact, coal for Italy was the only Allied aid request that consistently came up for discussion in the SEC meetings. A major obstacle to this provision had been the lack of tonnage. In February and March, when the French and Italians began making their requests, the Allies still did not have control of the German fleet. Further, labor strikes in Britain resulted not only in restrictions on the use of British vessels, but in a lack of the coal needed by Italy.

The Maritime Transport Council, in March 1918, had agreed that Italy required 600,000 tons of coal each month and arranged for that amount from Britain. France was to


14 SEC Minutes, 6 March 1919, PPC, 10:41-42.

15 SEC Minutes, 10 March 1919, PPC, 10:56-59; Orlando to Lloyd George, 25 March 1919, Lloyd George Papers, F/6/6/24.
participate by sending coal by rail to Italy if tonnage was unavailable; Britain would later replace the French coal. This provision was to continue until the end of the armistice period. Throughout the spring, Italy did not receive more than 80 per cent of the prescribed amount in any month.\textsuperscript{16}

At this time, the United States and the Allies were negotiating the disposition of the coal-rich Saar Basin. A major French goal at the Peace Conference was to annex the Saar. Italy, on the other hand, maintained its right to some of the assets of the Saar, saying it was German and not French coal. On April 11, the Council of Four decided that France could mine the coal in this region for fifteen years under League of Nations supervision, after which a plebiscite would enable the inhabitants to decide their future. This was not the exact decision the French wanted, but it was final.\textsuperscript{17} Within days, France began shipments of coal to Italy but continued them only for a short time.\textsuperscript{18} French delegates reported to the SEC that the April and May production of French mines in 1919 was 75 per

\footnotesize{\textsuperscript{16} Memorandum to British Ministry of Shipping, App. 90 to SEC Minutes, 22 April 1919, PPC, 10:186-187.}

\footnotesize{\textsuperscript{17} Michael L. Dockrill and J. Douglas Goold, Peace Without Promise: Britain and the Peace Conferences, 1919-1923 (Hamden, Conn.: Archon Books, 1980), 38-39.}

\footnotesize{\textsuperscript{18} Extracts from Finance Section Minutes, App. 145 to SEC Minutes, 19 May 1919, PPC, 10:273.}
percent of the production for those months in 1918. They announced, therefore, that Italy would receive no coal from France in the near future. Prior to the signing of the Peace Treaty, the SEC recommended that the French and Italian Governments confer and agree on some arrangement to provide coal for Italy from the mines under French control.

In fact, as the armistice period drew to a close, lack of coal in all of Europe, as well as lack of food and incomplete restoration of communications, required Allied cooperative action. Even though relief and reconstruction in Russia had not begun, it was under consideration as an SEC endeavor. The Allies also wanted to work together to develop a scheme of priority in considering the needs of all of eastern Europe to avoid duplication in loans to the new states. In addition, France and Italy joined Britain in the call for united planning for all Allied provisions in unity, if not in united buying as during the war. A continued SEC could provide a structure through which Allies could coordinate buying and lending. The Rhineland Commission would require supervision until the Inter-allied Rhineland High Commission could come into effect with the Treaty.

19 Report from Coal Committee on Supply to Italy, App. 146 to SEC Minutes, 19 May 1919, PPC, 10:275-277.

20 SEC Minutes, 10 June 1919, PPC, 10:345.
With the exact nature of the economic functions of the League of Nations undetermined, there would be a lapse in coordination of these economic endeavors if the SEC ceased to function at the end of the armistice period.

On June 23, following a report by Cecil to the British Cabinet concerning the future of the SEC, the British requested that the Council of Four authorize the SEC to continue as an international economic body which could become a part of the League of Nations as soon as feasible.\textsuperscript{21} Cecil went to a June 28 meeting of the Council of Four and appealed for support of this British request. Wilson hesitated to grant his approval, not wanting to give the appearance that the Allied and Associated nations were uniting economically against the states that had made up the Central Powers. After discussion, however, the Council of Four adopted a resolution which acknowledged the need for international economic consultation. They requested that the SEC suggest, for the consideration of the governments it represented, the best and most serviceable methods of consultation.\textsuperscript{22} At its next meeting, the SEC received a formal request from the

\textsuperscript{21} Memorandum by British Delegation on Future of SEC, 20 June 1919, App. 212 to SEC Minutes, 23 June 1919, PPC, 10:415-418; Cecil to Lloyd George, 12 July 1919, Lloyd George Papers, F/6/6/55.

\textsuperscript{22} Council of Four Minutes, 28 June 1919, PPC, 6:741-743.
Council of Heads of State to make suggestions for international economic consultation during the transition period between the signing of the Treaty of Peace and the time when the League of Nations would have had opportunity to consider the economic situation in Europe.23

In response to this request and after considering the proposals put before the SEC in June by Britain, France, Belgium, and Italy, the SEC modified its structure to become an International Economic Council and was sometimes referred to by that name. In the August meeting, the British, French, Belgian, and Italian delegates reported approval from their Governments for participation in this International Council.24 SEC delegates continued the provision of food and medical relief to eastern Europe until the harvest, cooperated with the League of Red Cross Societies in combating disease, and participated in the restoration of communications until the end of the year.25 In addition, the SEC planned for production and distribution of food, coal, and other raw materials for most of Europe.26

23SEC Minutes, 30 June 1919, PPC, 10:430-431.
24SEC Minutes, 1 and 2 August 1919, PPC, 10:499.
25See SEC Minutes August through November 1919, PPC, 10:489-674.
26SEC Minutes, 1 and 2 August 1919, PPC, 10:495-496.
An SEC Permanent Committee, with one representative each from France, Italy, Belgium, and Britain met in London. E. F. Wise was the British representative. This committee attended to routine business, referring to the full council matters involving a difference of opinion.

In June, Hoover had announced the end of the Food Section with the signing of the peace terms and had given his assessment of the current European condition and of European food provision. Referring to his studies of the continent, Hoover stated that the fall harvest would provide enough food for European needs. With the completion of repatriation, tonnage would be available for distribution of this food and the end of the blockade would simplify trade. He emphasized his earlier suggestion for national economic commissions to administer the purchase and transportation of food and raw materials, to negotiate for credits, and to stimulate private trading, individual initiative, and self-reliance in commerce. Hoover welcomed the proposed commissions to the United States for trade negotiations.

27 SEC Minutes, 20 September 1919, PPC, 10:560.
28 SEC Minutes, 20 September 1919, PPC, 10:579.
29 Memorandum to SEC from Hoover, 31 May 1919, App. 181 to SEC Minutes, 2 June 1919, PPC, 10:342-343.
30 Memorandum from Director General of Relief, 10 June 1919, App. 184 to SEC Minutes, 10 June 1919, PPC, 10:355.
The American delegates went home following the signing of the peace and no longer had a part in SEC relief efforts. Although United States representation continued on the Rhineland Commission and later the High Commission as long as the American Army remained in the Rhineland, the last SEC meeting attended by Americans was August 1. Some American philanthropic efforts, such as provision of one cooked meal per day for 2,500,000 children through the Children's Fund, however, continued beyond the end of 1919. Hoover, who apparently did not see the Europe described by Goode in late 1919 and with his surplus of American food significantly diminished, said that the problems requiring outside aid were solved with the provision of relief up until the harvest. The new and old states of Europe could now direct their energies toward self-sufficiency.

In June, the only function remaining for the Blockade Section was to maintain the structure for blockade reimposition should the Germans fail to sign the Treaty of Peace. The Council of Four wanted no actual public threat. They wanted, however, to give the appearance of this

31 Despatch on Economic Conditions in Central Europe, William Goode (British Director of Relief) to the Secretary of State for Foreign Affairs, 1 January 1920, Hoover Library, Herbert Hoover Institute, Palo Alto, Calif.; hereafter cited as Despatch from Goode.

32 SEC Minutes, 10 June 1919, PPC, 10:346.
readiness for reimposition, including the despatch of destroyers in the Baltic. With the signing of the Peace, the Blockade Section ceased to operate.

On July 26, the SEC agreed that the Shipping Section should assist the Committee for the Organization of the Reparation Commission as well as receive instructions from it. With the beginning of the peace period, control of German vessels was automatically transferred to this Commission. The Finance Section would become the Finance Committee, working with both the Reparations Organization Committee and the SEC. With these changes, some of the authority to make decisions concerning the supply of food and raw materials for ex-enemy countries and all of the decisions concerning the use of enemy tonnage passed from the SEC to the Committee for the Organization of the Reparation Commission, which was chaired by Louis Loucheur, French Minister of Industrial Reconstruction. Thus, there was a possibility for the French to regain some of the power wrested from them during the armistice period.


34SEC Minutes, 26 July 1919, PPC, 10:484-485.

35Memorandum on Dissolution of Allied Maritime Transport Executive, 4 February 1920, App. 321 to SEC Minutes, 6 February 1920, PPC, 10:718.

36SEC Minutes, 26 July 1919, PPC, 10:484-485.
Maynard Keynes, who had struggled to keep economic negotiations between Germany and the Allies and the United States under SEC supervision rather than that of Foch, went back to England in June. He expressed his disappointment in the Treaty of Versailles, saying it was outrageous and held only the possibility of misfortune.\textsuperscript{37} In March, he had been excited about his responsibilities at the Peace Conference.\textsuperscript{38} Three months later, he declared that he was leaving Paris, which had become to him a scene of nightmare, because it was too late to gain any success from the Treaty.\textsuperscript{39} Three weeks after leaving the Peace Conference, Keynes began writing The Economic Consequences of the Peace, a famous polemic, and completed the 70,000 word book by the end of September, achieving world fame and rupturing his relationship with Whitehall with its publication in December. Thus, after receiving from Chamberlain, in early 1919, full authority to make decisions in the SEC, in early 1920, Keynes was out of favor with the British Government and remained so for two decades.\textsuperscript{40}

\textsuperscript{37}Maynard Keynes to F. A. Keynes, 14 May 1919, John Marnard Keynes Papers, King's College, Cambridge, England.

\textsuperscript{38}Maynard Keynes to F. A. Keynes, 16 March 1919, Keynes Papers.

\textsuperscript{39}Keynes to Lloyd George, 5 June 1919, Lloyd George Papers, F/7/2/32.

\textsuperscript{40}Roy Jenkins, "Maynard Keynes: Iconoclast and Prophet," The Times 20 March 1972, in Keynes Papers.
The Committee to Organize the Reparation Commission had gained control of the Shipping Section and some authority over the Finance Committee. In late July, the French asked that the Sub-Committee on Germany also report to the Committee to Organize the Reparation Commission which they said was already communicating with the Germans. The SEC deferred a decision in this matter for a later meeting.  

Meanwhile, the Sub-Committee on Germany presented a report at the August meeting, asking to continue directing the Rhineland Commission until Treaty ratification at which time the Rhineland High Commission would assume control in economic matters. The Council of Four, they said, had intended that the SEC or its successor should supervise the Rhineland Commission in economic decisions. With the lapse of the Brussels Agreement in August and the subsequent abolition of the Rotterdam Food Commission, the Sub-Committee on Germany should coordinate economic efforts not related to the collection of reparations. The Sub-Committee asked to adjourn sine die, remaining available to meet again at the request of the SEC or of the International Economic Council but not the Reparation Commission. The SEC agreed with the Sub-Committee's assessment of the intentions of the Council of Four but

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41SEC Minutes, 26 July 1919, PPC, 10:484-485.

42Note on Future of Sub-Committee on Germany, App. 262 to SEC Minutes, 1 and 2 August 1919, PPC, 10:526-527.
asked it to be available to assist either the SEC or the Reparation Commission. The British were pleased that the sub-committee could be recalled to direct the Rhineland Commission or to assist with German relief.

By the end of the summer, the Raw Materials Section had become the Raw Materials Committee. Actually, this section had not met since May. Because of the urgency of providing food supplies, no funds had been available for the purchase of appreciable quantities of raw materials. The Raw Materials Section's purpose as a part of the restructured SEC in the latter half of 1919 was to investigate the availability of raw materials, such as cotton, flax, oilseeds, phosphates, and wool, and the obstacles to their distribution. A Statistical Sub-Committee supervised an exchange of information between the buyers and the sellers of these products.

In addition to the continued Communications Section, the Permanent Committee, the Raw Materials Committee and the Finance Committee, in August, the SEC added a Consultative Food Committee and a European Coal Commission. The Coal

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43 SEC Minutes, 1 and 2 August 1919, PPC, 10:496.
46 SEC Minutes, 1 and 3 August 1919, PPC, 10:495.
Commission coordinated the efforts of European countries to increase coal production and distribution. In this endeavor, they had Supreme Council endorsement, SEC supervision, and cooperation of the Communications Section. Its membership represented the British, French, Italian, Belgian, Polish, and Czechoslovak Governments.

The Food Committee, established before the harvest to continue until the end of 1919, arranged negotiations between producers and consumers in an effort to prevent profiteering, continually collecting information concerning availability of supplies and arranging finance for the buyers. They executed this task through the work of sub-committees for wheat and flour, meat, sugar, hog products, and butter and cheese. In addition to serving the countries of eastern Europe, this committee arranged cooperative buying for Britain, Italy, France, and Belgium, just as the Inter-allied agencies had done during the war. Because the Allies had financial assets, an efficient supply

47 Memorandum from Director General of Relief on the Coal Situation in Europe, App. 261 to SEC Minutes, 1 and 3 August 1919, PPC, 10:524; SEC Minutes, 20 September 1919, PPC, 10:561-562.

48 Hoover to Clemenceau, 4 August 1919, FO 374/132, PRO.

49 SEC Minutes, 21 and 22 November 1919, PPC, 10:620-621.
of provisions for them was naturally easier to arrange than for other European countries. Studies conducted by the Food Committee, by November, indicated sufficient supplies and tonnage for provisioning Europe. The major problem in the distribution of food and raw materials, including coal, was meager finance in some countries and virtually no finance in others.

In September, the French had urged the development of a flow of credit, especially for the new European countries, and asked the SEC to affirm that help was essential from "another hemisphere," that is the United States. Until this help was available, according to the French, the Council could not be international in scope. Other European countries also called for American involvement. United States financial investment appeared to be the only hope for the completion of SEC endeavors.


As the weeks went by, Loucheur continued to advocate exclusive control of German finance and food by the Reparation Commission. British delegates, on the other hand, wanted the Organization Committee of the Reparation Commission, and later the Reparation Commission, to present orders for raw materials and foodstuffs for Germany to the Raw Materials Committee and the Consultative Food Committee for decisions concerning purchases. The SEC maintained this would prevent speculation and worldwide inflation. It would also aid the British in their effort to prevent French control of German economics.

In November, one remaining full SEC meeting was scheduled and French delegates wanted to know which of the current SEC functions would be assumed by the Reparation Commission and which by the League of Nations. The British Government had instructed British delegates to decline commitment to any future plans for the SEC or for committees functioning under its supervision. They were concerned by political events in the United States, the failure of that nation to ratify the Treaty, and the implication that non-ratification would have for further

54SEC Minutes, 20 September 1919, PPC, 10:564-565.
55SEC Minutes, 21 and 23 November 1919, PPC, 10:624-626.
56Ibid.
economic endeavors in Europe. British delegates maintained that the work of the SEC had been invaluable in 1919 and that the information it had gathered in its endeavors would be useful to the bodies coming into existence with the establishment of peace. They wished to remain associated with the SEC but were unsure what role their Government would want them to fill. Belgian delegates said that their Government wanted the SEC to continue and to attend to the interests of the Allies. The Italians wanted the SEC to function at least until the League of Nations was in formal existence and could take over some of its work.57

Finally, SEC delegates agreed to continue their supervision of the Consultative Food Committee until the end of August 1920. The Raw Materials Committee became the Committee on Raw Materials and Statistical Information and planned to report to the League of Nations.58 Other decisions, SEC delegates said, would be premature in November. They instructed the Permanent Committee to remain in contact with the League of Nations and to report to the January meeting concerning the possibility of that body's assuming SEC endeavors.59

57Ibid.

58SEC Minutes, 21 and 23 November 1919, PPC, 10:620-621.

59SEC Minutes, 21 and 23 November 1919, PPC, 10:624-626.
As the year drew to a close, the most significant factor which prevented development of economic stability in most European states continued to be the absence of credit.60 In February 1920, the SEC met in full council for the last time and, at this meeting, received a Bankers' Memorial signed by representatives from the United States, Denmark, Holland, Norway, Sweden, Switzerland, and Britain, stressing the need for a system of long term foreign credit for the financial recovery of Europe.61 Without such a system, authors of the Memorial predicted anarchy and bankruptcy throughout the continent. The Italians wanted to summons a conference of financial representatives of various European countries to consider the document. The Belgians also proposed "rapid action." French and British delegates advocated a closer examination of the proposal before making definite plans. The British wanted their Treasury to study the document.62

The British Treasury had national inflation to consider and little money to invest in credits for other states.63 Treasury officials wanted to tax "war fortunes" but could

60 Despatch from Goode.

61 SEC Minutes, 6 and 7 February 1920, PPC, 10:676-677, 686-693.

62 Ibid.

find no way to definitely distinguish these fortunes from others.\textsuperscript{64} The King's speech at the end of 1919, called for action by all nations to restore credit for countries shattered by the war.\textsuperscript{65} Britain, however, did not have the investment potential of pre-war days. American credits appeared to be unavailable. Thus, the SEC concluded its last full meeting with no commitment on the part of their governments to rehabilitation of credit in Europe, the single greatest obstacle, according to the British and others, to European economic recovery.

In January 1920, the British Cabinet had approved a proposal Chamberlain made that the British SEC delegates should suggest no formal abolition of the SEC but that its plenary sessions should cease, pending a decision concerning the formation of an Economic Section of the League.\textsuperscript{66} British delegates were not, therefore in a position to be enthusiastic about future SEC endeavors. The last order of business at the last full meeting of the SEC in February 1920 was to instruct the Permanent Committee to work with the Secretariat of the League of Nations, which had come

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\textsuperscript{64}Chamberlain to J. L. Garvin, 31 October 1919, Chamberlain Papers, AC 24/1/35.
\textsuperscript{65}[Chamberlain's] Draft for Financial Portion of King's Speech, [December, 1919], Chamberlain papers, AC 25/2/40.
\textsuperscript{66}Memorandum from Chamberlain to Cabinet on Future of the SEC, 17 November 1920, Chamberlain Papers, AC 34/1/36.
\end{flushright}
into existence in January, in its preparation for dealing with economic matters.67

As 1920 began, Wise was working with the Permanent Committee and Keynes, his book now published, was back in England. Cecil, who had helped to write the Covenant of the League of Nations, was playing a major part in its organization. Other British SEC delegates, such as Gertrude Dixon, participated in the League also.68 The Food and Blockade Sections were disbanded, the Shipping Section was a part of the Reparation Commission, the work of the Communications Section was complete, the Raw Materials Section with a new structure was a part of the League, the Finance Section, as the new Finance Committee, continued to work with the Reparation Commission and the SEC Permanent Committee, and the Inter-Allied Rhineland High Commission had come into effect with the Treaty, making the Sub-Committee on Germany no longer necessary.

The Permanent Committee continued to work with the League through 1920 and was discontinued at the request of Lord Derby at a meeting of the Ambassadors’ Conference. Before making this suggestion, he had consulted with

67 Note from Permanent Committee on Relations Between SEC and League of Nations, 4 February 1920, App. 330 to SEC Minutes, 6 February 1920, PPC, 10:785-786.

68 Dixon to Davies, 28 June 1920, Lloyd George Papers, F/42/7/6.
Chamberlain and with the British Board of Trade. To the end, British interest in the SEC centered on British trade advantages. At the time Lord Derby made his recommendation, the League of Nations was planning for a provisional Economic and Financial Consultative Committee and H. Llewellyn Smith, former Parliamentary Secretary for the Board of Trade, former SEC representative, and current Parliamentary Secretary for the Food Ministry, was to be the British representative.69

69Chamberlain to Cabinet on Future of SEC, 17 November 1920, Chamberlain Papers, AC 34/1/36.
CHAPTER XII

CONCLUSION

At the end of the Great War, Britain, along with other Allies and the United States, sent delegates to Paris to determine the terms of the peace. In addition, they sought to restructure and provide relief and reconstruction for a destitute continent. As they executed their tasks, each great power also worked to fulfill national goals, including the acquisition of commercial advantages.

Eastern Europe was in a state of economic and administrative chaos in 1919. The devastation of the war and the collapse of the Empires which had previously provided structure for commercial exchanges and administration left a large part of Europe unable to help itself. By taking part in the establishment of the new states which replaced the old Empires, an assisting nation could build for itself advantages. Chief among the advantages Britain was seeking in 1919 in Germany and eastern Europe were markets for its products and raw materials to sustain its industries and its population. It also sought a European balance of power, through strong
eastern European states, which would prevent Germany, Russia, or France from gaining hegemony on the continent.

While principal representatives of the United States and the Allies worked to write the treaties with Germany and other ex-enemy states, they had no time for immediate action to prevent eastern Europe from succumbing to anarchy for want of such basic necessities as food and fuel. Woodrow Wilson proposed a Supreme Economic Council to attend to matters of a transitory nature which were not military and the Supreme Council approved. The United States, Great Britain, France, Italy, and later Belgium, sent delegates to the new council which worked to make food available to Germany and to bring relief and reconstruction to the new and destitute states of eastern Europe.

Contrary to the assessment of some Peace Conference participants, such as H.W.V. Temperley, the SEC had influence with the Council of Four and others who were making permanent decisions in Paris. A review of the personnel on the commissions which were writing the treaties and negotiating other settlements reveals that the same people who worked in the SEC also served on these commissions.¹ Further, the SEC made some decisions

concerning economics at their own discretion and sometimes advised the Council of Four in economic matters. For instance, in April SEC representatives met with the Council of Four in Lloyd George's flat and at Wilson's house in Paris to assist with the financial clauses of the Treaty of Versailles.²

In the immediate post-war days, Lloyd George knew that the supply of provisions for Germany and eastern Europe afforded an opportunity for commercial growth on the part of each Ally. He wished to protect British trade interests as the Allies competed to gain in European commerce as well as in influence in the new states which were being defined by the Peace Conference. In the SEC, he saw an opportunity to achieve this goal and he encouraged British SEC delegates as well as the British Empire Economic Committee members to work through the SEC for British trade advancement.

From the beginning of the SEC, in an effort to achieve British commercial gains, British SEC delegates coordinated their relief efforts with the goals of the British Economic Section of the Peace Conference.³ Relief personnel also sent regular reports to British delegates in Paris, sometimes supplying the only current information from the


³British Committee of the SEC Minutes, 28 February 1919, FO 608/75, Public Record Office, London.
new states in eastern Europe. The British Empire Economic Committee, created to coordinate SEC action with British policy, stayed in contact with British delegates on all commissions. Its members obtained copies of the minutes of these commissions, observed all proposals and conclusions of economic significance, and assessed the impact on SEC endeavors.\(^4\)

The work of Mance in the peace negotiations demonstrates the interaction of SEC personnel with other aspects of peacemaking and of British trade. He served as a liaison between the British Empire Delegation and the Commission on Ports, Waterways and Railways Commission, of which he was also a member, in working on the clauses of the Treaty of Versailles.\(^5\) He participated in writing the communications clauses for the Treaty of Lausanne.\(^6\) On a trip to eastern Europe in the fall of 1919, he visited missions of the Communications Section, considering the

\(^4\)BEEC Minutes, 28 March 1919, FO 608/75, PRO.


\(^6\)Mance to H. Fountain, 15 November 1922, Harry Osborne Mance Papers, Mid East Center, St. Antony's College, Oxford, Box B.
effects of the Treaty in different regions, and reporting to the British Board of Trade.\textsuperscript{7}

In keeping with Lloyd George's instructions to attend to British commercial interests, British SEC delegates E. F. Wise and Maynard Keynes were active in the effort to curb the French drive to orient the Rhenish economy to the west and to control German finances. Wise, aided by the United States' SEC delegates, proposed and gained approval for the civilian Rhineland Commission to replace Foch and the French military dominance of the Inter-allied commissions which had controlled Rhenish economics from the first days of the armistice period. The Brussels Agreement, achieved largely through British SEC effort, ensured Inter-allied, rather than French control, of the revictualling of Germany. Further, Maynard Keynes gained control for the SEC of the financial negotiations between the Allies and all of Germany by establishing the German Economic Committee to deal directly with the SEC. These negotiations had previously been under the control of Foch as head of the Inter-allied Armistice Commission.

The Keynes plan, a scheme for credit rehabilitation in all of Europe including Germany, had it not been blocked by American opposition, would have provided financial and

\textsuperscript{7}Mance to Carlill, Board of Trade, 24 October 1919, PRO 30/66/13, PRO.
commercial advantages for Britain. It was a British SEC initiative, designed by Keynes, which failed. Yet, British SEC delegates could claim success in their efforts to advance British trade in Germany and to hinder the French drive for control of the German economy and for hegemony on the continent.

In the new states of eastern Europe, the SEC made less progress than in Germany. The internecine conflicts, the lack of a consistent policy toward this area on the part of Britain and other Allies, the influence of Bolshevism, and the absence of credit, which might have been available had the Keynes plan been accepted, prevented significant economic achievement there. At the end of the SEC's tenure, there was still no provision for a flow of credit to provide raw materials and other supplies essential to the production of exports. Unemployment and the lack of money to pay for imports was the result. The British, at the end of the war, had little investment potential and the United States declined involvement. Further, the rivalry among the new states over territory and raw materials prevented the cooperation encouraged by SEC personnel.

Although the relief and reconstruction efforts in this area maintained the eastern European population during the first crucial months of the Peace Conference and achieved permanent advances in communications restoration, the gains
in British access to markets and raw materials there were shortlived. By 1922, Britain had lost most of its commercial gains in eastern Europe and in 1928, imported 50 per cent more than it exported in its trade with the Balkan and Baltic states. The trade imbalance continued and in 1939 Britain imported approximately twice as much as it exported in exchanges with the countries of eastern Europe. In 1928, France had a near trade balance with the new states and in 1939 was importing approximately 30 per cent more than it was exporting in French trade with its eastern neighbors. On the other hand, Germany, in 1928, bought over 50 per cent more than it sold in exchanges with the new states but grew in exports until in 1939, there was a near trade balance between Germany and its neighboring states.8

Trade between eastern Europe and Britain during the 1930s was, in fact, insignificant. For instance, only 2.5 per cent of total British imports came from the Balkans and never more than 1.4 per cent of Britain's exports went to this region. Nor had Britain achieved the advantages in the purchase of eastern European oil it had hoped for at the end of the war. By 1939, Britain imported only 4 per cent of its oil from Rumania compared to 11 per cent in 1913. Prices were higher in eastern Europe than other parts of the

world and Britain turned to the dominions to make many purchases by the late 1930s.9

By 1929, of Britain's exports, those to all of Europe amounted to approximately 29 per cent and to the Empire 44.5 per cent. The leading European importers of British goods were Germany, France, Holland, Belgium, Denmark, Sweden, and Norway. The Balkan and Baltic states imported only a minimal amount of British products.10 In fact, all of Britain's exporting capacity diminished between 1913, when even with an unsatisfactory balance of trade it was the world's leading exporter with a share of 27 per cent, to 1929, when its share of the world's exports was 10.86 per cent. Britain's loss of investment potential before and during the war was a significant factor in this decline.11

British SEC efforts to advance British commerce in the new states of eastern Europe were lost because Britain lacked investment potential and military strength to establish and maintain its position there. In addition, British statesmen were generally cool toward the problems and possibilities of the successor states. Many of them had regretted the collapse of the Hapsburg Empire with which

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9Ibid., 175-176.


Britain had maintained good relations and held little hope for the economic prospects of the new states.\(^{12}\)

The strong independent eastern European states did not materialize and Britain did not stop the resurgence of Germany or Russia. Germany, in the 1930s, under the leadership of Adolf Hitler, gained economic dominance in the new states by buying their raw materials and selling to them their German made products.\(^{13}\) In the inter-war years, Germany acquired the markets and raw materials Britain had worked for through the SEC.\(^{14}\)

British SEC delegates, however, did have an impact on Peace Conference negotiations through their involvement in other commissions and their access to the Council of Four. Further, they could claim success in the prevention of French economic dominance of the Rhineland and in the acquisition of some German markets as they worked in conjunction with the British Trade Department to provide commissions and agreements conducive to the advancement of British trade interests in Germany. Even though British commercial gains in the new states of Europe were minimal


\(^{14}\)Dockrill and Goold, *Peace Without Promise*, 129.
and the strong eastern European states to counter German or Russian expansion did not materialize, the SEC achieved pragmatic as well as humanitarian success in the relief and reconstruction provided for all of eastern Europe. Britain as well as other Allies and the United States, through the SEC, prevented eastern Europe from collapsing in anarchy around the feet of the Peace Conference.
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