

SIR GEORGE PAISH:  
AMBASSADOR OF FREE TRADE

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## Introduction:

### A “Little Understood” Life<sup>1</sup>

#### Chronological Overview

From the latter half of the nineteenth century through the early years of the twentieth, Europe knew greater prosperity than any earlier era. The Industrial Revolution provided the means for unprecedented production and rapid distribution by railway and steamship. Great Britain exemplified the modern nation. The long reign of Victoria had resulted in economic advance and social reform. The world’s leading manufacturer was also the world’s banker. With London as the international center of banking, the gold standard of the pound sterling was the international standard for exchange. The ruling Liberal Party advocated morality, free trade, and the ideals of progressivism.<sup>2</sup> The years leading up to World War I saw dramatic changes in Britain’s political structure, as the House of Lords declined in power and the Irish Home Rule movement threatened the unity of the British Isles.<sup>3</sup> Simultaneously, Britain was beginning to lose its economic pre-eminence to new industrial expansion in the United States and Germany. Following the Great War, the Liberal illusion of progress shattered in the wake of millions dead, ravaged territory, and economies that had borne too much. The European nations had sacrificed everything in an unprecedented effort to destroy each other. The newly organized League of

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<sup>1</sup> Paish wrote that “economics is a fascinating, if little understood, field of knowledge,” which in many ways applies to his own life as well. Sir George Paish, “My Memoirs,” [ca. 1950-1951], COLL. MISC. 621/1 Memoir I, Memoirs and miscellaneous papers of Sir George Paish, economist (1867-1957), British Library of Political & Economic Science, London School of Economics, London, United Kingdom, 2(hereafter cited as Sir George Paish, Memoir I).

<sup>2</sup> George Dangerfield, *The Strange Death of Liberal England*, (Stanford: Stanford University Press, 1997), 14. The House of Lords surrendered its right to a final veto by passing the Parliament Act of 1911.

<sup>3</sup> *Ibid.*, 34.

Nations provided a shadow of hope that the world powers might avert fighting another war, and instead cooperate for the benefit of the world.

The resulting war debt tied Europe's financial future with that of America, where the world's largest stockpile of gold now resided under the authority of the Federal Reserve. After the Great War ended, America returned to isolationist economic policy, which unbalanced the international economy. While Europe continued to borrow funds for rebuilding, their economies were slow to recover. The overextension of credit and the looming possibility that Germany would default on its reparations payments foretold of impending financial disaster. The stock market crash of 1929 plunged most of the world into economic depression during the 1930s. One by one, nations abandoned the gold standard for economic recovery. Under Adolf Hitler, the German economy expanded into an industrial war machine, surpassing the military technology of France and Great Britain.<sup>4</sup> Italy and Japan joined Germany to conquer territory and gain access to their adversaries' economic resources. With financial and military aid from the United States, the Allies fought another World War which ended in German defeat after six years of attrition. Western Europe and the United States then banded together against the threat of the Soviet Union.

Sir George Paish (1867-1957) was a British economist who experienced these events. A dedicated Liberal and staunch Free-Trader, he had analyzed England's economy for decades. Paish was born into a working class family, the tenth and youngest child of Robert Paish, a coachman.<sup>5</sup> Paish advanced from being a teenage clerk at *The Statist* magazine in 1881 to joint

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<sup>4</sup> Niall Fergusson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000* (New York: Basic Books, 2001), 42-43.

<sup>5</sup> Roger Middleton, "Paish, Sir George (1867-1957)," *Oxford Dictionary of National Biography*, Oxford University Press, 2004, available from <http://www.oxforddnb.com/view/article/66759>; Internet accessed 12 Feb 2010.

editor by 1900, at the age of thirty-two. This weekly magazine was a rival to *The Economist*, a more established publication.<sup>6</sup> One of Paish's earliest contributions to economics was his analysis of British railways by statistically determining load capacities and carrying efficiency. These studies qualified him for a position on the Board of Trade Committee, where he served from 1906-1908. In this position, he pushed for keeping more detailed statistics to reform railway companies' records. From 1909-1915, he was an independent consultant to David Lloyd George, then Chancellor of the Exchequer, and who later became Prime Minister in 1916.<sup>7</sup> At the suggestion of Lloyd George, King George V knighted Paish in 1912 for his contribution to economics.<sup>8</sup> During World War I, Paish was an advisor and commentator on British economic policy until he suffered a severe mental breakdown in 1916 from overwork. He recovered before the war ended, and by 1917, he resumed writing memorandums and lectures on goals for the present crisis and future rebuilding.

World War I transformed Britain from a creditor nation to a debtor nation.<sup>9</sup> When the war ended, Paish hoped the League of Nations would prevent other wars and facilitate international economic cooperation; he was optimistic for a full and rapid recovery. However, Europe's economic situation deteriorated rapidly during the 1920s. As the situation worsened, Paish warned of a coming crisis and advised solutions in a series of books and articles that policy makers ignored or found impracticable. During the war, the Liberal party had lost control of

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<sup>6</sup> Middleton, "Paish."

<sup>7</sup> Ibid.

<sup>8</sup> *The Times*, Friday, Jun 14, 1912; pg. 9; Issue 39925; col G. According to Paish's unpublished memoir, David Lloyd George "suggested that I should be honoured with a knighthood and in the summer of 1911 His Majesty the King conferred it upon me." Quoted in Avner Offer, "Empire and Social Reform: British Overseas Investment and Domestic Politics, 1908-1914," *The Historical Journal*, Vol. 26, No. 1 (Mar., 1983): 125. British spellings have been maintained in quotations from British sources. The fact that Paish's memoir was written more than forty years after the event explains the discrepancy of one year between the sources.

<sup>9</sup> Sir George Paish, *The Road to Prosperity* (New York: G.P. Putnam's Sons, 1927), 16-17.

Parliament, but Lloyd George remained Prime Minister until 1922. Paish did not have much political clout by this time, and the Liberal decline guaranteed that “he was never again close to the centre of British government or the policy debate.”<sup>10</sup> He retained his credibility as an economic expert through his writing and lecturing. He was also a member of the advisory board for the London School of Economics for many years. He continued to write and lecture on economic subjects for the next quarter century, through the end of World War II.

### Family Life

Paish’s family life was comfortable – the result of years of hard work. Because he left school to start working at twelve years of age, Paish continued his education through night school as a teenager.<sup>11</sup> In his twenties, he taught poor children in a “ragged school,” which provided free education to the children of the working poor. Through this charitable work, he met Emily Whitehead, another teacher, and “after a long engagement” they married in 1894. Their first son, Frank, was born at their home in Croydon, a borough south of the Thames, on January 15, 1898. The following year, the family moved to Finchley in North London, possibly in conjunction with Paish’s promotion to joint editor of *The Statist*.<sup>12</sup> He shared this position with two other men for the next fifteen years, until he left *The Statist* to work in the Treasury following the outbreak of World War I.

Following the end of the Boer War, Sir Edgar Vincent, an owner of *The Statist*, decided to sell his shares to the staff in 1902. Paish bought “enough [shares] to make [his] future

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<sup>10</sup> Middleton, “Paish.”

<sup>11</sup> Frank Walter Paish, *War as a Temporary Occupation: First World War Memoirs of a Second Lieutenant* (Edinburgh: Privately published, 1998), 7.

<sup>12</sup> *Ibid.*

assured,” as an investment.<sup>13</sup> By this time, he and Emily had two more sons, Donald and David, born in 1900 and 1902, respectively. By late 1903, likely needing a larger house to accommodate their growing family, the Paish family moved to Limpsfield, near Oxted, Surrey, which was further south of London than Croydon. They had achieved Victorian middle class respectability with their house a sufficient distance from the business sector of London and three female servants in their employ.<sup>14</sup>

As Paish’s sons grew, he carefully arranged for them to have a more complete and formal education than he had. Frank recorded the succession of a governess, private tutor, and enrollment at Horton, a preparatory boarding school, before he turned ten. At thirteen, he entered Winchester College, a prestigious boys’ school. Three of his four younger brothers also went to Winchester. As Paish explained to Frank around 1913, “I can either leave you boys some money when I die or give you a good education. Any money I leave you may be taken away by the Socialists, but no-one can take away an education.”<sup>15</sup> Although Victoria had died in 1901 and was succeeded by the relatively short reign of her son Edward VII, nineteenth century attitudes toward social and political practice remained consistent into the early years of the new century. Paish’s rise from working class origins to middle class respectability encapsulated the progressive spirit of merit and advancement without noble birth.

Together Paish and his wife had five sons: Frank, Donald, David, Atholl, and Harold. Frank served in World War I, attended Cambridge, became an economist, and later taught at the London School of Economics, where he donated his father’s papers. Frank wrote a memoir of his war experiences, which provided insights relevant to his father’s life as well. Donald immigrated

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<sup>13</sup> Sir George Paish, *Memoir I*, 3.

<sup>14</sup> Frank Paish, 7.

<sup>15</sup> *Ibid.*, 8.

to America in the 1920s, and Paish often visited Donald's family on his many trips to America. Donald's descendants have preserved a number of Paish's papers and correspondence from his visits primarily from the 1940s. Emily died of throat cancer in 1933.

## Historiography

Paish lived through the dramatic events of the early twentieth century, so examining the political context provides the necessary background to understanding his life. Several histories emphasize the complex political atmosphere of early twentieth century Europe. Mark Mazower's *Dark Continent* provides a broad overview of political and economic context for this period.<sup>16</sup> More specific to England's political transitions is George Dangerfield's classic analysis *The Strange Death of Liberal England*. Dangerfield examined the political crises that hastened the demise of the Liberal party's aspirations, postulating that World War I acted as a catalyst that accelerated the party's downfall.<sup>17</sup> In examining the political changes that led up to World War II, Ian Kershaw explains the differences between Nazism, fascism, and totalitarianism as political and economic systems in his work *The Nazi Dictatorship*.<sup>18</sup>

While economics and politics tend to overlap, many histories focus specifically on European economic developments. Recently, Niall Ferguson has written broad financial histories that contextualize wars, finance, and the international economy covering several centuries, foremost among them being *The Cash Nexus*. A recent collection of essays edited by Stephen Broadberry and Mark Harrison take a narrower approach, providing deeper insight into

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<sup>16</sup> Mark Mazower, *Dark Continent: Europe's Twentieth Century* (New York: Vintage Books, 1998).

<sup>17</sup> Dangerfield's book was originally published in 1935.

<sup>18</sup> Ian Kershaw, *The Nazi Dictatorship: Problems & Perspectives of Interpretation*, 4<sup>th</sup> ed. (New York: Oxford University Press, 2000).

*The Economics of World War I*. Patricia Clavin's work on *The Great Depression in Europe, 1929-1939* gives a brief overview of the era while examining a number of interpretations on the effects of the many policies implemented to deal with that crisis. Her work also has an excellent bibliography to direct further study. Liaquat Ahamed's *Lords of Finance* also analyzes the crises of the 1920s and the efforts of the leading central bankers of Britain, France, Germany, and America to control the market.<sup>19</sup>

In addition to these histories, works that emphasize aspects of twentieth century economic theory provide further background for Paish's economic positions. Other economists such as Milton Friedman and Friedrich Hayek had similar opinions to Paish, although neither one cited his works. A popular introductory economic work is Friedman's *Free to Choose*, which lauds the supremacy of the private sector as opposed to government regulation. Friedman had explored many of the same ideas in an earlier, more academic work, *Capitalism and Freedom*. Hayek's earlier *The Road to Serfdom* served as a counterargument to European socialistic ideology of the 1940s. He similarly postulated that personal and political liberty was dependent on economic freedom, as opposed to centralized planning.<sup>20</sup> John Kenneth Galbraith's *Economics in Perspective* is another useful resource on the development of economic theory and major changes in that field. Finally, Michael Novak's *The Spirit of Democratic Capitalism*

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<sup>19</sup> See: Fergusson, *The Cash Nexus*; Stephen Broadberry and Mark Harrison, eds., *The Economics of World War I* (Cambridge: Cambridge University Press, 2005); Patricia Clavin, *The Great Depression in Europe, 1929-1939* (New York: St. Martin's Press, 2000); Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin Press, 2009).

<sup>20</sup> See: Milton and Rose Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt Brace Jovanovich, 1979); Milton Friedman, *Capitalism and Freedom*, Fortieth Anniversary Edition (Chicago: University of Chicago Press, 2002); Friedrich Hayek, *The Road to Serfdom*, Fiftieth Anniversary Edition (Chicago: University of Chicago Press, 1994).

defends the capitalist tradition by emphasizing the Judeo-Christian moral base that led to economic success in England and America.<sup>21</sup>

Paish was fairly well-known in his own time, as newspapers and the number of his own publications suggest, yet historians have only briefly mentioned him in studies focusing on 1900-1914. The reign of Edward VII (1901-1910) has not garnered popular attention like World War I, the Great Depression, and World War II. Paish's appearance in the historical literature was primarily confined to his relationship with Lloyd George and debates over the accuracy of Paish's statistical estimates from years when official records on trade did not exist. Often, historians have cited his estimates without probing much deeper, as they were more concerned with statistical contributions than with Paish's biography.<sup>22</sup> While the historiography of Paish's relationship with Lloyd George was not extensive, historians agree that Lloyd George relied on and followed Paish's advice for five or six years at a critical time of changing policy. Historians have not examined Paish's contributions to his field after World War I, which needed to be remedied.

British historian Avner Offer examined Paish's collaboration with Lloyd George in "Empire and Social Reform: British Overseas Investment and Domestic Politics, 1908-1914," which appeared in *The Historical Journal* in 1983. Offer described the economic recession in England in the first decade of the twentieth century, and the subsequent transfer of investments from domestic to international projects. Many thought these foreign investments were a form of

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<sup>21</sup> See: John Kenneth Galbraith, *Economics in Perspective: A Critical History* (Boston: Houghton Mifflin Company, 1987); Michael Novak, *The Spirit of Democratic Capitalism* (Lanham, Maryland: Madison Books, 1982).

<sup>22</sup> Michael Edelstein, "Foreign Investment, Accumulation and Empire, 1860-1914," in *The Cambridge Economic History of Modern Britain, Volume 2: Economic Maturity, 1860-1939*, Eds. Roderick Floud and Paul Johnson, (Cambridge: Cambridge University Press, 2004), Cambridge Histories Online, [http://histories.cambridge.org/uid=2451/extract?result\\_number=1&search\\_scope=book&book\\_id=chol9780521820370\\_CHOL9780521820370&query=paish&id=chol9780521820370\\_CHOL9780521820370A009&advanced=0](http://histories.cambridge.org/uid=2451/extract?result_number=1&search_scope=book&book_id=chol9780521820370_CHOL9780521820370&query=paish&id=chol9780521820370_CHOL9780521820370A009&advanced=0) (accessed: April 4, 2011).

tax evasion and that the trend damaged domestic industry.<sup>23</sup> Against these negative views, Paish and Sir Edgar Speyer began influencing Lloyd George's economic outlook. Based on Paish's memoirs, Offer thought the "Paish-Lloyd George link was established sometime between the summer of 1909 . . . and the spring of 1910."<sup>24</sup> One of Paish's most well-known studies on Britain's foreign investments appeared around this time as well. The following trade recovery vindicated Paish's views. Offer explained that "in George Paish, Lloyd George had found an economist close to his own heart, an analyst whose explanations were congenial and successful and who gave him the confidence to defy the critics."<sup>25</sup> The papers of both men support this conclusion.

Michael Daunton's recent study of tax policy in Britain also emphasizes Paish's relationship with Lloyd George. Daunton repeats many of Offer's observations, but contributed Paish's views on tax policy. In light of Britain's wealthy population expanding their international investments, Paish thought that higher taxes would not diminish their ability to invest. Daunton cites one of Paish's treasury memos, which stated, "'the evidence that we are accumulating wealth faster than we ever did before seems to me to be overwhelming, and I cannot but come to the conclusion that the new taxes have not had the disastrous consequences predicted."<sup>26</sup> The rich had paid the higher taxes, and Paish thought statistics showed that they

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<sup>23</sup> Avner Offer, "Empire and Social Reform: British Overseas Investment and Domestic Politics, 1908-1914," *The Historical Journal*, 26, 1 (1983): 119, 121.

<sup>24</sup> *Ibid.*, 124-125.

<sup>25</sup> Offer used Paish's memoirs in his research, and while these documents are an imperfect record, other archival sources "confirm the general accuracy of [Paish's] account. Long background papers for the chancellor's speeches may be found in the treasury papers, and the communications between Lloyd George and his economic adviser become more frequent from 1912 onwards. A comparison of Paish's written advice and the chancellor's speeches shows that the journalist had become a principal influence on Lloyd George's economic outlook." Offer, 126.

<sup>26</sup> Michael Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge: Cambridge University Press, 2001), 362.

had more money than ever. Lloyd George echoed these ideas in his Mansion House speech in 1912.<sup>27</sup>

Lloyd George's biographer John Grigg did not mention Paish influencing the budgets or tax policy, possibly because he did not know about or have access to Paish's papers.<sup>28</sup> However, Grigg did credit Paish's work with Lloyd George during the crisis at the outbreak of World War I, stating that Paish's "recommendations for dealing with the crisis were very closely followed."<sup>29</sup> Paish left the Treasury in 1915 and suffered a mental breakdown later in 1916. Upon hearing of it, Lloyd George wrote Paish the same day, wishing him a speedy recovery in hopes that he could again give advice on policy; this letter was evidence of Lloyd George's respect for Paish's views and the positive nature of their relationship.<sup>30</sup>

Two articles appeared ten years apart debating the veracity of Paish's statistics on Britain's international investments. In 1980, D. C. M. Platt wrote an article which argued for a downward revision in estimates for Britain's foreign investment totals. His main area of focus was the Victorian era, but by diminishing the estimates on investment from the nineteenth century, he argued that the revisions needed to extend to pre-World War I figures as well. Platt criticized Paish's estimates from a 1911 presentation at the Royal Statistical Society as implausible, trusting John Maynard Keynes' objections during the discussion of Paish's paper.<sup>31</sup> A few years later, Platt published a book which amounted to "a major assault on the position

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<sup>27</sup> Daunton, 362.

<sup>28</sup> See John Grigg, *Lloyd George: The People's Champion, 1902-1911* (Los Angeles: University of California Press, 1978). Grigg would have researched the earlier budgets in the mid-1970s, and Offer did not publish his findings until 1985.

<sup>29</sup> John Grigg, *Lloyd George: From Peace to War, 1912-1916* (Los Angeles: University of California Press, 1985), 152.

<sup>30</sup> *Ibid.*, 411-412.

<sup>31</sup> D. C. M. Platt, "British Portfolio Investment Overseas Before 1870: Some Doubts," *The Economic History Review*, Second Series, Volume 32, No. 1, (February 1980): 15.

established in the pioneering study by Paish,” and Charles Feinstein defended Paish’s figures in a reply article.<sup>32</sup> Feinstein read Paish’s work more carefully than Platt, demonstrating Platt’s misinterpretation of Paish’s method. Feinstein concluded that a major part of Platt’s case for revision rested on “a false premise” for criticizing Paish’s work because Platt argued that Paish’s estimates had not excluded investments that foreigners bought in London, while Feinstein pointed out that the text of Paish’s paper stated the opposite.<sup>33</sup> Feinstein continued, noting Platt’s lack of documentation and conceptual errors. Other studies supported Paish’s figures, while these same studies brought Platt’s revised estimates into question. Feinstein concluded that Paish’s original estimates were more accurate than Platt’s revisions.<sup>34</sup>

### Historical Significance and Major Themes

Political and economic historians have mentioned Paish’s relationship with Lloyd George and debated the accuracy of Paish’s estimates on international investment, but no one has written a biography of his almost century-long life or analyzed his writing career of articles and books from the 1920s to the 1940s. Paish’s influence among his contemporaries and the totality of his life experience provides useful insight into a period of incredible economic and political upheaval. His life is worthy of closer examination, if only to see Europe and America through a hitherto unfamiliar set of eyes. He preserved his own views in his many articles and books, in addition to his unpublished memoirs. Such a record provides the understanding of an inside observer who was not a politician or permanent civil servant, but an economist without personal

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<sup>32</sup> Paish’s estimates “remained the standard figure for over 70 years, accepted by the Board of Trade, the United Nations and other governmental bodies, and by a stream of scholars,” including Feinstein. Charles Feinstein, “Britain’s Overseas Investments in 1913,” *The Economic History Review*, Second Series, Vol. 43, No. 2 (1990): 288.

<sup>33</sup> *Ibid.*, 289-291.

<sup>34</sup> Feinstein, 292-294.

fortune. He rubbed shoulders with policy makers without aspirations to be one of them and was an international observer who had a heart for his fellow man.

In order to make sense of Paish's experiences, the historian must first necessarily reconstruct his world view based on the available documentation, which covers almost half a century. His economic and political views were closely connected, but the way he applied those views to events was entirely his own. Analyzing his positions against prevailing opinion of his day will illustrate the relationship between his philosophy and reality. He supported the gold standard, and encouraged Americans to understand its purpose. A self-proclaimed Free-Trader in the tradition of Adam Smith, Paish abhorred domestic socialism and international isolationism as detrimental to the prosperity of all people. His writings always emphasize the practical ramifications of policy on trade, but he did not propound new economic theories. His underlying theory remained consistent, but he applied his theories to world affairs and the changing roles of England and America in an exceedingly complex international relationship.

A firm believer in education and hard work, Paish knew members of the privileged class, but was not one of them, even with his knighthood. He enjoyed the reward and virtue of work, so he favored employment over government assistance. Milton Friedman later summarized this principle as "equality of opportunity," as opposed to "equality of outcome."<sup>35</sup> Paish's personality was generally optimistic, although in the 1920s and 1930s he often warned that if the current economic situation continued, dire results were likely. He understood America's rise to international pre-eminence better than her own citizens, and his many trips to America may provide insight into Anglo-American relations in the first half of the twentieth century, as records exist of his meetings with Presidents Taft, Wilson, Coolidge, and Franklin Roosevelt as

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<sup>35</sup> Friedman, *Free to Choose*, 128-140.

well as with numerous other officials. Unsurprisingly, a man of Paish's abilities and experience had confidence to the point of pride and an overall tenacity of purpose.

As Paish's life is best understood within the historical chronology, this thesis follows Paish's life in a narrative form, exploring his activities and ideas. Chapter One covers Paish's rise to prominence in the early twentieth century: his work at *The Statist*, his relationship with Lloyd George, his activities in World War I, and his subsequent mental collapse and recovery. Starting from the end of the Great War, Chapter Two opens in 1918 and explores Paish's writings and travels during the 1920s, ending with the onset of the Great Depression. Chapter Three explains his proposals for economic recovery, more international travels, and his opinions during World War II.

## Chapter 1

### “The Last Shall Be First”: From Night School to Knighthood (1881-1918)

On the evening of July 31, 1914, Chancellor of the Exchequer David Lloyd George was walking up to 11 Downing Street from the Palace of Westminster after a meeting with the country's leading bankers; Sir George Paish accompanied him. As they passed Big Ben, the Chancellor asked the coachman's son to join him in the Treasury. The nation was facing a crisis with war imminent on the continent. Paish was reluctant to enter civil service, having preferred his unofficial position as advisor to one of the most influential men in the kingdom.<sup>36</sup> But for an Englishman, duty could not be refused. This son of a coachman found himself guiding national monetary policy at the outbreak of the Great War. How was such an unusual event possible?

#### Early Writing Career (1900-1909)

George Paish's relationship with the weekly newspaper *The Statist: A Journal of Practical Finance and Trade* began in late 1881, when he was fourteen. As secretary to the editor, he made daily price charts of principal securities to track the rates of investments, stocks, and bonds. After some time at the paper, his assignment changed to following the profits of American and British railways, which became the subject of his first book many years later. Perhaps seeing some promise in the young man, one of the paper's owners Sir Robert Giffen advised Paish to begin reading on economics, starting with Adam Smith. After educating himself in economics, Paish consequently became a lifelong advocate of the Free Trade position.<sup>37</sup>

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<sup>36</sup> Sir George Paish, *Memoir I*, 61.

<sup>37</sup> *Ibid.*, 2.

According to his eldest son Frank, Paish “continued his education by attending evening classes and wide reading” at this time.<sup>38</sup>

Paish steadily rose through the paper’s ranks “through sheer ability and energy” during the 1880s and 1890s.<sup>39</sup> After several years of work as secretary to the editor, he became the paper’s sub-editor from 1888-1894.<sup>40</sup> In this new position, Paish likely began writing for the paper on a regular basis, as a newspaper article in 1888 described him as a journalist.<sup>41</sup> A few years later, the owners added Sir Edgar Vincent to their number in the 1890s. He ordered an internal investigation, and Paish received a promotion to Assistant Editor in 1894, a position he held for six years.

In 1900, Paish became the third senior editor, joining Thomas Lloyd and Robert Mabson.<sup>42</sup> Each had his own specialization. Lloyd, the senior of the three, had written on politics since 1880, while Mabson had focused on mining in South Africa since the same decade. Paish had worked with railway data before, but as editor, articles on British and American railways became his responsibility.<sup>43</sup> He had literally worked his way to the top after almost twenty years, and he was only in his early thirties.

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<sup>38</sup> Frank also remembered that his father “not only spoke beautiful English but also wrote a beautiful hand.” Frank Paish, 7.

<sup>39</sup> Middleton, “Paish.”

<sup>40</sup> “Biographical History,” British Library of Political and Economic Science, London School of Economics, <http://library-2.lse.ac.uk/archives/handlists/Paish/Paish.html> (accessed February 21, 2011).

<sup>41</sup> Paish had unsuccessfully attempted to save a drowning clergyman on August 1. He brought him in, but he had already died. The Royal Humane Society awarded Paish a medal for bravery for the attempt. *The Times*, Thursday, Aug 30, 1888; pg. 8; Issue 32478; col B.

<sup>42</sup> Sir George Paish, Memoir I, 2. According to Paish, *The Statist*’s finances also significantly improved under Sir Edgar’s leadership. Promotion dates clarified by “Biographical History,” British Library of Political and Economic Science, <http://library-2.lse.ac.uk/archives/handlists/Paish/Paish.html> (accessed February 21, 2011).

<sup>43</sup> Sir George Paish, Memoir I, 5. Having proved himself as an economist by this time, he became a fellow of the Royal Statistical Society in December 1899. See: “Report of the Council for the Financial Year Ended 31st December, 1899, and for the Sessional Year Ending 19th June, 1900, Presented at the Sixty-Sixth Annual General

*The Statist* sent Paish to America for the first time in 1899. The *New York Times* announced his arrival in New York in early March, hailing him as a well-known statistician from his work at *The Statist*. In an interview, he told the paper that he came to research and observe “mercantile, financial, commercial and economical conditions as I find them, and to collect data and statistics.”<sup>44</sup> American railroads were his primary concern, as *The Statist*’s readership of English businessmen wanted to invest in that growing market. Paish planned on staying for about five weeks and visiting eight major cities. Protective tariffs that interfered with English trade, wages, and agricultural commodities were other objects of Paish’s concern.<sup>45</sup>

British investors had concerns about the state of American currency, because William Jennings Bryan was advocating Free Silver and bimetallism to American voters. William McKinley had won the preceding 1896 presidential election on the platform of maintaining the gold standard. With another presidential election coming in 1900, Paish’s purpose was to confer with Lyman Gage, McKinley’s Secretary of the Treasury about the gold standard and to meet railway company presidents to analyze their progress. British investors bought gold bonds to help build the American rail system. The Free Silver movement threatened “to make the coupons and the principle payable in silver dollars.”<sup>46</sup> Thus, future British investments were pending based on the outcome of the currency debate in America. Gage reassured Paish that America had

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Meeting of the Royal Statistical Society, Held at the Society's Rooms, 9, Adelphi Terrace, Strand, London, on the 19th of June, 1900,” *Journal of the Royal Statistical Society*, Vol. 63, No. 3 (Sep., 1900): 369.

<sup>44</sup> *New York Times* March 5, 1899. ProQuest Historical Newspapers *The New York Times* (1851 - 2007), 9.

<sup>45</sup> *Ibid.* Later, the crises caused by World War I meant that the issues of food supply and the cotton trade both figured prominently in his writings.

<sup>46</sup> Sir George Paish, *Memoir I*, 5.

no “intention whatsoever of leaving the gold standard.”<sup>47</sup> Presumably, Paish’s position at *The Statist* had furnished him with the personal and political connections that arranged this meeting.

Reassured that further British investments would proceed on the gold standard, Paish began meeting with American railway executives. Foremost among them was James J. Hill, President of the Great Northern Railroad, “and the real author of the enormous expansion in railroad profits.”<sup>48</sup> Hill systematically increased the amount hauled on his railway by keeping ton-mile statistics and encouraging his branch managers to increase their hauls. The Northern Pacific Railway duplicated Hill’s system and showed similar improvements.<sup>49</sup> By hauling more weight, the railways saved on time and the number of trips, thereby cutting costs and increasing profits. Paish passed this advice on to investors, who then reaped the profits of this innovative business outlook. They could use better statistics and better records to direct their investments.

Whenever he travelled abroad, Paish sent weekly updates to *The Statist* on the conditions in the country he was visiting. He analyzed the state of railway traffic for investors, mentioning that competition was motivating internal improvements to ship more goods faster. While shipping costs were dropping, profits remained steady because of the increased competition for

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<sup>47</sup> Paish met the Secretary’s assistants, Mr. Vanderlip and George E. Roberts, Director of the Mint, who both became friends of his for years to come. Indeed, Roberts wrote the preface to the American edition of Paish’s *The Road to Prosperity* in 1927. Paish also met President McKinley on his visit to Washington. Sir George Paish, *Memoir I*, 6.

<sup>48</sup> By gathering quarterly statistics on the three sections of his network, Hill saw a great disparity in profits and in train loads. He called in the superintendent with the lowest figures and asked for an explanation. The following quarter, that superintendent’s figures had doubled. Hill continued this process every quarter, “until he had raised the average for the entire system from about 200 tons to nearly 450 tons, which...cut the freight-train mileage by more than half, and saved a vast sum of money.” *Ibid.*, 7-8.

<sup>49</sup> When Scottish investor Robert Fleming heard from Paish that the president of the Atchison, Topeka, and Santa Fe was not interested in learning from Hill’s success, Fleming went to America to see for himself. The president lost his job to one of Hill’s men, who implemented the new system. Atchison stock rose from eight to 200 dollars per share. *Ibid.*, 7-8.

traffic. For this reason, investors could be confident to continue investing for the next several months.<sup>50</sup>

At the end of his trip in May, the *New York Times* published Paish's last article from his trip to *The Statist*. He explained that the previous election of 1896 had recommitted the country to the gold standard, which restored confidence in banks and businesses. The gold standard was safe with the current Senate, and the coming election in 1900 could not alter that house's position. America's renewed economic confidence had led to increases in trade, wages, employment, investment, and spending. Paish summarized his positive report, saying, "In brief, all the indications exist of the American Nation [sic] having entered upon a prolonged period of prosperity."<sup>51</sup>

Upon his return to England, Paish decided to see how the British railways compared against the American ones. To his surprise, British reports had no record of ton-mileage. Instead, he had to process the figures for charges for freight and passengers and compare it to the number of miles traveled to get the data he needed for the London and North Western Railway. The average freight load was around forty-seven tons. The lowest figure on Hill's railway before the improvements was 150 tons.<sup>52</sup> Sufficiently curious, Paish's research expanded to compare the London and North Western with the Pennsylvania Railroad from 1880 to 1900. The results confirmed that the British had failed to innovate while charging higher prices without expanding profits. Stockholders, owners, and other economists were soon looking into the issue.<sup>53</sup> Among

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<sup>50</sup> *New York Times (1857-1922)*; Apr 17, 1899; ProQuest Historical Newspapers *The New York Times* (1851 - 2007), WFRQS1.

<sup>51</sup> *New York Times (1857-1922)*; May 8, 1899; ProQuest Historical Newspapers *The New York Times* (1851 - 2007), WFRQS1.

<sup>52</sup> Sir George Paish, *Memoir I*, 9.

<sup>53</sup> *Ibid.*, 10-11.

these was George Gibb, the manager of the North Eastern Railway, who gathered the necessary data for his railway and “found that the average train load... was only 45 tons.”<sup>54</sup> This early collaboration with Gibb grew into a lasting friendship of more than forty years.

In 1902 *The Statist* published Paish’s first book, *The British Railway Position*, which consisted of revised articles that he had published over the preceding eighteen months. Paish was calling for railway managers to increase their efficiency for their own profit by keeping statistics, including the ton mile, which had been the focus of his study. His trip to America had convinced him that profit increases were a direct byproduct of making trains carry as much as current technology allowed. Heavier trains were more economical.<sup>55</sup>

In the introduction, Gibb agreed that Paish’s criticisms were valid and that better records and statistics could benefit the industry. Gibb pointed out that the train-mile only gives the distance, regardless of what the train was transporting, while ton-mileage gave knowledge of “the most vital elements in the cost of working freight traffic – namely, the train load and the length of haul. The train-mile unit conceals, the ton-mile reveals those all important facts. The revelation is worth paying for.”<sup>56</sup> The second argument in the book was to increase the ton-mileage of English trains. Gibb and Paish both qualified this argument by saying statistics needed to come first before a new course of action could begin. Accounting for differences of geography and distance was not the focus of Paish’s work, but American trans-continental freight was entirely different from the regional nature of British traffic.<sup>57</sup>

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<sup>54</sup> Sir George Paish, *Memoir I*, 11.

<sup>55</sup> George Paish, *The British Railway Position* (London: The Statist, 1902), 5.

<sup>56</sup> George Gibb, “Introduction,” in *British Railway Position*, v.

<sup>57</sup> *Ibid.*, x.

Reviewers' opinions of the book were generally positive. American reviewer Walter E. Weyl saw the primary merit of the book in "the detailed study of the various British railroads," but criticized the length, perceived tangents, and style.<sup>58</sup> British response was more enthusiastic. William Mitchell Acworth was a British railway expert who praised Paish's book as "a real and great service" which might mark the "turning point in the movement for reform in English railway management."<sup>59</sup> Acworth hoped the book would reach a wide audience to draw attention to the need for reform. Paish was calling for better records and statistics, knowing his personal estimates were imperfect. Acworth acknowledged that Paish had limited numbers to work from as "actual figures do not exist."<sup>60</sup> Better statistics were the first step towards reform, and Acworth hoped for this sooner rather than later. Middleton explained this new thrust in journalism, stating, "*The Statist* . . . was at this time in the vanguard of the movement to formulate a more analytical approach to contemporary social and economic debates. Paish's special gifts for compiling and analysing quantitative information made him one of the foremost practitioners of the new statistical journalism."<sup>61</sup>

In the autumn of 1904, Paish made another visit to America and Canada on behalf of *The Statist*. He had nothing but praise for the economic expansion that had followed in the wake of the Panics in 1893 and 1896, saying, "the strength of to-day is in some measure the result of the

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<sup>58</sup> Walter E. Weyl, "Review: [untitled]," *The Journal of Political Economy*, Vol. 11, No. 3 (Jun. 1903): 493.

<sup>59</sup> William Mitchell Acworth, "Review [untitled]," *The Economic Journal*, Vol. 12, No. 48 (Dec. 1902): 518. Acworth wrote numerous articles, books, and reviews on railways from 1890 until his death in 1925. Paish wrote an obituary for him in the *Journal of the Royal Statistical Society*, where Acworth had been a Fellow, Council member, and Vice President.

<sup>60</sup> *Ibid.*, 519. Paish often gave estimates when no official records existed.

<sup>61</sup> Middleton, "Paish." Additional positive reviews also appeared in the *Journal of the Royal Statistical Society* and the *Annals of the American Academy of Political and Social Science*. See also: "Notes on Economical and Statistical Works," *Journal of the Royal Statistical Society*, Vol. 65, No. 3 (Sep., 1902):533-534. Frederick A. Cleveland, "Notes," *Annals of the American Academy of Political and Social Science*, Vol. 21, Current Labor Problems (Jan., 1903): 100-102.

weakness that is passed.”<sup>62</sup> America could expect economic growth for many years. His reasons for this diagnosis were that capital was available; confidence was fostering trade, and agricultural products were profitable. Agriculture affected manufacturing and transportation, so “the profits of all sections of the community are increased.”<sup>63</sup> While opposed to tariffs in general as a Free Trader, Paish observed that tariffs did not govern imports as much as the general condition of the economy. However, the difference in English and American trade was one of dependence. America was largely self-sufficient in resources, raw material, and manufacturing; meanwhile, England was dependent on imports because of her lack of natural resources. The stabilization of credit and the trade balance between imports and exports promised increased trade and economic growth for both countries.<sup>64</sup> He wrote on international trade with some frequency for the rest of his life.

Meanwhile, political changes were underway in Britain. Nineteenth century Liberalism advocated Free Trade and voting reform, but the party divided over the issue of Irish Home Rule. The Liberal Unionist party joined the Conservatives in opposition to this movement, establishing a decade long coalition government in 1895. They called themselves Unionists because maintaining Ireland meant the preservation of the Union. Irish Home Rule continued to be an issue into the 1920s, when Ireland finally gained its independence.

Joseph Chamberlain was a Liberal who opposed Home Rule, serving in the coalition government until 1903. After a trip to South Africa in 1903, he resigned his position in order to advocate tariff reform, specifically for Empire Preference. This program reflected his imperialist

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<sup>62</sup> “Our Country’s Prospects,” *New York Times* (1857-1922); Nov 21, 1904; ProQuest Historical Newspapers *The New York Times* (1851 - 2007), 9.

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

and nationalist sentiments; however, it also split the coalition. Many politicians rightly thought that public opinion favored Free Trade. According to Paish, most Conservatives had not argued for protective tariffs for decades, but the idea of Fair Trade or protective tariffs began reemerging in the late nineteenth century.<sup>65</sup> Chamberlain's advocacy misjudged the prevailing economic opinion, or he was simply a prophet of defeatism. As Dangerfield observed, Chamberlain's position implied "that England was no longer commercial dictator of the world; that the Empire of Free Trade" would soon fall.<sup>66</sup>

When the ruling government dissolved in 1905 following Prime Minister Arthur Balfour's resignation, the voters returned the Free Trade Liberals to power in 1906. Sir Henry Campbell-Bannerman became the Prime Minister, but resigned for health reasons in 1908. His departure led to Herbert Asquith's ascending from the Treasury to Prime Minister. Lloyd George similarly moved up from the Board of Trade to the Chancellor of the Exchequer.<sup>67</sup>

One result of Paish's earlier call for railway reform was that in 1906 he found himself on the Board of Trade's Commission on the British Railways, a ten-member committee with three representatives each from the railway stockholders, the government, and the railway managers, with Paish as the tenth member.<sup>68</sup> Acworth was also on the committee and was probably one of the stockholders who sided with Paish, wanting statistics kept on ton and passenger miles.

However, the politicians and railroad representatives outnumbered them, so after two years of

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<sup>65</sup> Sir George Paish, *Memoir I*, 14-15.

<sup>66</sup> Dangerfield, 22.

<sup>67</sup> Sir George Paish, *Memoir I*, 19.

<sup>68</sup> Paish explained, "The stockholders turned to me, and together we drafted a completely new system of accounts which were put before the Commission and accepted. But when we asked for ton and passenger mile figures the railways' representatives objected, and their objections were supported by the Government members. The consequence was that the information given in the new reports was of little more value than in the old, and that all the time and effort we had given to improving it was largely wasted." *Ibid.*, 11-12.

discussion, they narrowly averted the kind of progress that Paish advocated. This may have been a political dispute between Labour and Liberals, or it may simply have been the rejection of innovation.<sup>69</sup> In 1925, Paish recalled the Committee's report "led to the complete revision of the published accounts and statistics," but this was only a partial victory, as the Committee did not vote to force "the railways to publish or even to compile ton-and passenger-mile statistics" which would be the only way to judge their hauls and profitability.<sup>70</sup> During World War I, the government took over the railroads, and the data existed, but was not included in reports. Writing in the early 1950s, Paish remarked that "our railways [are] still awaiting the use of ton and passenger mile statistics."<sup>71</sup> Such inefficiency and lack of progress frustrated him.

Returning to questions of international finance, Paish wrote an article about New York as an international money market in late 1906, republished in America in January 1907. While American trade had expanded in the preceding decade, the country as a whole was not giving credit to other nations with the frequency the leading European countries did. American industry was still developing, so domestic investment took precedence over foreign investments. In fact, America was receiving more investments from foreigners than she was making. For the time being, America was not an international financial leader. However, New York was the center of domestic investments.<sup>72</sup> After World War I, Paish was quick to observe how dramatically the

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<sup>69</sup> Class tensions might have been a part of this as well. Paish realized that charging different amounts for first, second, and third class passengers was a waste of money, as third class passengers bought the majority of the freight, while a few first class passengers did not pay for the cost of having their own separate carriage. The implied suggestion was to charge a standard rate. The railways would simplify their business and make more money. See Paish, *British Railway Position*, 17-24.

<sup>70</sup> Sir George Paish, "Sir William Mitchell Acworth," *Journal of the Royal Statistical Society*, Vol. 88, No. 3 (May, 1925): 469.

<sup>71</sup> Sir George Paish, *Memoir I*, 11-12.

<sup>72</sup> "New York's Position as a World Centre of Finance," *New York Times (1857-1922)*; Jan 6, 1907; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*, AFR6.

balance of credit had shifted, and New York took its place among the other world financial centers.

Thus, newspapers and his peers recognized Paish as an economic expert by 1907. In 1906, Sir Hugh Bell and George Gibb nominated him for membership at the Reform Club, a well-known Liberal establishment in London.<sup>73</sup> The same year, the Royal Statistical Society elected him to its council.<sup>74</sup> The weekly publication of *The Statist* still required most of his attention during the week, yet he found time to serve on the Board of Trade committee from 1906-1908. Occasionally *The New York Times* consulted him on economic questions of trade and crisis. With so many commitments, Paish was probably something of a workaholic, constantly demonstrating that he had earned his position. His son Frank simply remembered that when he was young, his father “usually returned too late at night for me to see him.”<sup>75</sup>

Later in 1907, America was in the middle of another banking panic. In late October, in the midst of a recession, the Knickerbocker Trust Company, an important New York City firm, began running out of money. It closed its doors as a result of depositors seeking to withdraw their accounts. Panicked that they would lose their money, accountholders across the country ran on their banks as well. Banks limited the amounts they would pay out in order to prevent closing. According to Milton Friedman, “restriction of payments cut short bank failures and ended the runs.” This contraction of economic activity caused by the lack of available cash prolonged the recession, but regular payments resumed within three months. Recovery commenced by the

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<sup>73</sup> Simon Blundell, email to author, February 18, 2011.

<sup>74</sup> “Report of the Council for the Financial Year Ended 31st December, 1906, and for the Sessional Year Ending 18th June, 1907, Presented at the Seventy- Third Annual General Meeting of the Royal Statistical Society, Held at the Society's Rooms, 9, Adelphi Terrace, Strand, W.C., London, on the 18th of June, 1907,” *Journal of the Royal Statistical Society*, Vol. 70, No. 2 (Jun., 1907): 324.

<sup>75</sup> Frank Paish, 7.

summer of 1908.<sup>76</sup> Friedman argued that restriction of payments was economically advisable, because under that system recessions last months instead of years.

Within a week of the run on the Knickerbocker Trust Company, Paish and Francis Hirst, editor of the *Economist*, met with a correspondent from *The New York Times* in London and reassured the American public that the anxiety would be short-lived. Hirst suggested banking reforms, indicating that restored confidence would result in trade expansion after the uneasiness passed. He also regarded English banks as superior because their banking system was more secure, less prone to speculation, and were less likely to collapse from a run caused by “lightly strung” nerves. Paish saw the origin of the crisis in progress that had “been getting beyond the capital supply.” Such unsustainable activity “reveals weak spots in the economic fabric of a nation,” which reform and regulation could then remedy. American assets precluded any serious fallout, and a restored balance between growth and expense would soon set things right. Other factors leading to renewed growth were increases in gold, which would secure the banks’ reserves, and the continued prosperity of the railroads, which would continue to garner European investment to aid overall recovery.<sup>77</sup>

In early 1909, *The New York Times* published Paish’s trade outlook for international commerce for the coming year as part of their Annual Financial Review. Conditions following the Panic of 1907 were promising, as new supplies of gold were accumulating in the world’s financial centers. A decrease in trade had resulted in a surplus of available capital. Large amounts of capital were guaranteed to stimulate trade because of low interest rates available for investors. However, Paish warned that political tensions in Europe created a climate of

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<sup>76</sup> Milton and Rose Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt Brace Jovanovich, 1980), 71-72.

<sup>77</sup> “London Opinion on our Crisis,” *New York Times (1857-1922)*; Oct 27, 1907; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*, C1. All quotations in this paragraph from this article.

uncertainty. The trade outlook depended on the outcome of that perilous situation. Although prolonged uncertainty would delay hopes for recovery, Paish indicated that America would likely recover quickest, as European political concerns were less likely to affect their domestic markets.<sup>78</sup>

In the summer of 1909, Paish also began submitting papers to the Royal Statistical Society. Taking a great step from his analysis of railroads, he presented “Great Britain’s Capital Investments in Other Lands” to an audience of fellow statisticians. Similar to his railway analysis, Paish sought to provide an estimate where none existed before - taking conflicting information, processing the figures, and presenting a unified whole. By utilizing tax reports from the Commissioners of Inland Revenue alongside thousands of public company profit statements, Paish hoped to provide an accurate estimate of British capital invested in other countries as well as the amount of capital those investments were generating for the British.<sup>79</sup>

Paish began by noting that investments did not yield immediate returns, sometimes needing ten or twenty years to “[become] fully productive.” Paish found that the rate of foreign investments had contracted from 1898 to 1904 because of the Boer War, but the average was returning to its prewar level.<sup>80</sup> Because the British were prosperous, they had money to invest. Good investments yielded a high return, resulting in prosperity. According to Paish, “this growth of our trade and prosperity is largely the result of our investment of capital in other countries. By

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<sup>78</sup> “London's Point of View at the Year's End,” *New York Times* (1857-1922); Jan 10, 1909; ProQuest Historical Newspapers *The New York Times* (1851 - 2007), AFR3. Paish was likely referring to the Bosnian Crisis of 1908, when the Austro-Hungarian Empire annexed Bosnia and Herzegovina in violation of the 1878 Congress of Berlin. The Congress had allowed Austrian occupation, but not annexation. Ever sensitive to pan-Slavic interests, Russia helped mobilize the Serbian army in retaliation. With their ally France unwilling to go to war, and Russia unable to fight alone, the crisis passed. Nevertheless, continental alliances and unrest in the Balkans soon provoked a worldwide conflict.

<sup>79</sup> George Paish, “Great Britain’s Capital Investments in Other Lands,” *Journal of the Royal Statistical Society*, Vol. 72, No. 3 (Sep., 1909): 465, 467, 470.

<sup>80</sup> *Ibid.*, 473-474.

building railways [in foreign countries], we have enabled the world to increase its production of wealth at a rate never previously witnessed.”<sup>81</sup> The British brought the Industrial Revolution and modern transportation to other countries and, consequently, bought their “foodstuffs and raw materials” while exporting manufactured goods.<sup>82</sup> Thus, Paish indirectly argued the position of Free Trade economics – everyone profits by seeking mutually beneficial terms of exchange.<sup>83</sup>

Discussion followed the paper’s presentation, with a variety of commendations and questions as to his method and estimates acting as an immediate peer review. The nature of unofficial statistics was that everyone could find fault with them in some way. Some thought his figures too conservative, others too high. Everyone agreed that the issue was important and that Paish’s paper was an admirable effort to bring attention to it. The President of the Royal Statistical Society, Sir Charles Dilke, moderated the discussion and pointed out that while many estimates on the subject might disagree in particulars, they agreed as to the total amount. He also noted that foreign investment was not detracting from domestic concerns, and that large amounts of foreign investment were indicative of the country’s well-being.<sup>84</sup> In reply to questions on his figures, Paish defended his estimates. He had not conjectured them at random, but he “thought that every figure in the paper was based on documentary evidence.”<sup>85</sup>

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<sup>81</sup> Paish, “Capital Investments,” 480.

<sup>82</sup> Ibid.

<sup>83</sup> See Friedman, 1-2. Friedrich Hayek defended the notion of individual liberty in the economic sphere in opposition to the collectivism of socialists in the 1940s. See *The Road to Serfdom*, 17-23.

<sup>84</sup> Paish, “Capital Investments,” 486, 488.

<sup>85</sup> Ibid., 489. Paish wrote his paper in 1909, before the existence of a standardized method of measuring national income. Simon Kuznets invented the statistical concept of gross national product (GNP) with research he began in the late 1920s and into the 1930s. The American government used Kuznets’ statistical method to measure economic potential for production before and during World War II. See John Kenneth Galbraith, *Economics in Perspective: A Critical History* (Boston: Houghton Mifflin Company, 1987), 244-247. In his article on British investment before 1870, D.C. M. Platt took issue with Paish’s paper which he presented before the Royal Statistical

## Advising David Lloyd George and Hopes for Peace (1909-1914)

With the help of Sir Edgar Speyer, an investment banker, Paish was moving into a politically influential position. Apparently satisfied with Paish's earlier advice on investment prospects, Speyer wrote to Lloyd George in 1909 suggesting that Paish's economic analyses might be useful to him.<sup>86</sup> Lloyd George took this advice, and in the middle of 1909, Paish began advising him on economic subjects, a service he rendered to him for the following six years, which he called his "happy association with that great statesman."<sup>87</sup>

When Lloyd George was preparing his budget in 1909, he asked Paish's "opinion of the trade outlook for 1910 and 1911." Paish predicted continued expansion in trade based on investment trends. Indeed, he thought the economic growth would continue in the years to come. Meanwhile, the Chancellor's official advisors disagreed, predicting a decline in trade. Expanded trade vindicated Paish's predictions, and in 1911, "Lloyd George was gratified to find that the revenue results were... better than he had hoped."<sup>88</sup> Shortly thereafter, Lloyd George "suggested that I should be honoured with a knighthood," and George V knighted him in 1912 as part of the King's birthday honors.<sup>89</sup>

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Society in 1910. See: George Paish, "Great Britain's Capital Investments in Individual Colonial and Foreign Countries," *Journal of the Royal Statistical Society*, Vol. 74, No. 2 (Jan., 1911): 167-200.

<sup>86</sup> Being a Free Trade Liberal, Paish had opposed Chamberlain's ideas on Empire Preference in 1903-1905. Britain was still economically recovering from the Boer War, which had adversely affected the creation of new international investments. Paish hoped that the resumption of investment activity would improve trade. At Speyer's request, Paish wrote a memorandum on the subject for him, possibly around 1905. Speyer drew on Paish's paper in a speech he gave in London. Sir George Paish, *Memoir I*, 16-17, 19.

<sup>87</sup> *Ibid.*, 19.

<sup>88</sup> *Ibid.*, 19-20.

<sup>89</sup> Sir George Paish, [ca. 1950-1951], COLL. MISC. 621/2 *Memoir II*, *Memoirs and miscellaneous papers of Sir George Paish, economist (1867-1957)*, British Library of Political & Economic Science, London School of Economics, London, United Kingdom, 3 (hereafter cited as *Sir George Paish, Memoir II*); *The Times*, Friday, June 14, 1912; pg. 9; Issue 39925; col G.

However, the 1909 Budget was not an ordinary piece of government legislation. Since the nineteenth century, the Liberals had been the party of reform, and Lloyd George was willing to take risks to gain unprecedented reforms. The Liberals had been the ruling government since 1906, yet a climate of political agitation festered. The Conservatives and the House of Lords had been blocking the Liberals at every turn whenever they came to power.<sup>90</sup> In response, the Liberals, Labour, and the Irish formed a rather complicated alliance.

Lloyd George's 1909 Budget needed extra funds, which he sought to get from the rich landed families. Such taxation against hereditary privilege appalled the House of Lords, who vetoed the bill in defiance of constitutional precedent. Prime Minister Asquith dissolved Parliament, and in the following year's election, the Liberals won a narrow majority with the Conservatives close behind. The Labour and Irish parties then sided with the Liberals, but the Irish had one condition. The Irish "as good as held Mr. Asquith's IOU – Home Rule was to be paid them in return for those eight score votes of theirs which had put the Budget through."<sup>91</sup> In 1911, with the possibility of King George V (his father Edward VII had died in May 1910) intervening to create new peers who would vote properly, the House of Lords passed Asquith's Parliament Act, surrendering their veto power.<sup>92</sup>

The drama in Parliament took two years to play out. After giving Lloyd George the trade outlook for the Budget, Paish returned to America for another survey trip for *The Statist* in the autumn of 1909. Shortly after his arrival, the Bank of England increased interest on new American loans to five percent. Rather than attributing the price increase to distrust or inflation,

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<sup>90</sup> Dangerfield, 24.

<sup>91</sup> *Ibid.*, 42.

<sup>92</sup> For a more detailed account of this political shift, see Dangerfield, 28-36. Dangerfield also credited "this battle between the Liberals and the Lords" with hastening the death of Edward VII. *Ibid.*, 21. See also: John Grigg, *Lloyd George: The People's Champion, 1902-1911* (Los Angeles: University of California Press, 1978).

more level headed authorities thought the cause was more likely the increased demand for loans from other countries. With a high demand for gold and a limited supply, the higher interest rate narrowed the competition for loans to those who were most likely to pay it back quickly.<sup>93</sup>

American investments were stable, as Paish attested to in the article he sent back to London. European fears of American speculation were without foundation. He reminded the English that Americans had money at their disposal for investment, so prices had gone up despite speculators' efforts "to keep prices down by 'selling short.'" The article's author concluded that Paish's assessment differed markedly from other British financial journalists, "who almost without exception take every opportunity to urge the British public to be cautious" about investing in America.<sup>94</sup> Paish had the benefit of many years' knowledge, and had recommended British investment in American railways as a profitable, though expensive undertaking. In his opinion, Anglo-American economic relations were generally profitable, and he encouraged its expansion when possible.

For example, in one of Paish's articles to *The Statist* during his trip, he observed that most Europeans had no appreciation for the reality of the American economy. It was not a short-term "bubble," but a strong and growing force. Such continuous progress resulted from several factors: natural resources, an efficient work force, reward for good work, and distribution of prosperity in the form of good wages above subsistence level. The average American employee had enough money to live, spend some on luxuries, and save some of it as well. Paish compared the average wages of British and American workers and concluded that Americans had proportionately higher wages, purchasing power, and savings. The ability of all classes to invest

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<sup>93</sup> "Paish in Defense of our Securities," Special Cable to THE NEW YORK TIMES. *New York Times* (1857-1922); Oct 24, 1909; ProQuest Historical Newspapers *The New York Times* (1851 - 2007), C1.

<sup>94</sup> Ibid.

was aiding the growth of the American economy. Additionally, the growing American population was fueling the construction industry around the country, and homeownership was a common investment for average workers. While some investments were prone to speculation, many American businesses promised a good return on investment.<sup>95</sup>

A week later, on October 31, Paish gave a lecture on “The British Budget and Social Reform” at Columbia University, which the Academy of Political Science published the following spring in the *Political Science Quarterly*. At this point, the House of Lords had not yet vetoed the Budget, which occurred a month later on November 30. Paish began by outlining the government’s current revenues by source. Everyone paid indirect taxes on luxuries: alcohol and tobacco, income, inheritance, stamps, property, and certain “semi-necessaries, viz., tea, sugar, coffee, cocoa,” etc., and the government did not tax necessities like food or raw materials for manufacturing.<sup>96</sup> Paish then explained that less than fourteen percent of the population paid direct taxes such as income and estate taxes. This fourteen percent owned a disproportionate amount of the nation’s wealth. Between maintaining the naval buildup for security and expanding social reforms, the government needed more revenue.<sup>97</sup>

Against this context, Paish enumerated the 1909 Budget’s proposals for government assistance, in the hopes that increased spending in that area would be balanced by profitable results – such as in the elderly’s ability to work from home or for the unemployed to find work through labor exchanges. These economic concerns were directly related to education reform as well. From experience, Paish knew that the added income of teenage children was essential to

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<sup>95</sup> George Paish, “The Savings on the United States,” *The Statist*, October 23, 1909, 896-897.

<sup>96</sup> George Paish, “The British Budget and Social Reform,” *Political Science Quarterly*, Vol. 25, No.1 (Mar., 1910): 124.

<sup>97</sup> *Ibid.*, 127-131.

working class families, so raising the minimum leaving age for schooling to fifteen was a sacrifice these families could not afford to pay. Providing unemployment assistance and other reforms would allow the children to stay in school.<sup>98</sup> After explaining the lofty goals of social reform, Paish explained how Lloyd George's Budget accounted for the additional needed revenues: higher taxes on alcohol, income, and land taxes, although the increases in the two areas of direct taxation were relatively small – less than one percent.<sup>99</sup> Since Paish had worked with Lloyd George on the economic circumstances that would support this Budget, naturally he favored these proposals and worked to present them in a positive and logical way.

Paish's primary recollection of this trip was his visit to Washington "to suggest to President Taft that he should form a World Police Force so strong that no one would dare attack it."<sup>100</sup> Paish's, and indeed Taft's, later enthusiasm for the League of Nations complemented this incipient idea of an international association created to deter war, an idea both of them were committed to for the rest of their lives. Paish "arrived in Washington early in December 1909, with this purpose in view and was taken to the President by my friend, Mr. George E. Roberts, Director of the Mint. Mr. Taft was receptive, and after our talk asked me to see the Assistant Secretary of State," who then asked Paish to write out this proposal.<sup>101</sup> His ideas were

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<sup>98</sup> Paish, "Budget," 130-133.

<sup>99</sup> Ibid., 135. Several months after this presentation, the 1910 election resolved the feud with the House of Lords, the budget passed – including increased naval spending to counter the German naval build up. Dangerfield, 36. For more on changes in British tax policy, see Chapter 11, "The Modern Income Tax: Remaking the Fiscal Constitution, 1906-1914," in Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge: Cambridge University Press, 2001), 330-374. According to Daunton, "Paish's optimistic account of British overseas investment as the guarantor of economic success led him to the conclusion that higher rates of taxation were not harmful. . . In his view, economic prosperity was entirely compatible with higher taxation. . . .Lloyd George adopted this position in his Mansion House speech of 1912." Daunton, 362.

<sup>100</sup> Sir George Paish, *Memoir I*, 25.

<sup>101</sup> Sir George Paish, *Memoir I*, 25-29. For Taft's commitment to the League, see: William Howard Taft, *The Collected Works of William Howard Taft, Vol. 7: Taft Papers on League of Nations* (Athens, Ohio: Ohio University Press, 2003).

acknowledged by the Secretary of State Huntington Wilson, and former President Theodore Roosevelt mentioned similar ideas the following year upon receiving the Nobel Peace Prize. Many leading men of the time seemed to think that preventing war through discussion was a promising idea for modern nations, although each nation needed to retain its defenses as an international police force to prevent war did not exist yet.<sup>102</sup>

In 1910, alongside *The Economist's* Hirst, Paish contributed to a National Monetary Commission report on the subject of "The Trade Balance of the United States." The reports of this Commission became the foundation of the Federal Reserve Act of 1913.<sup>103</sup> After a detailed treatment on trade balances and gold reserves, Paish's conclusion was that the United States would benefit from a centralized bank like the Bank of England. "A central institution of the nature of the Bank of England charged with the special duty of assisting the country to obtain the currency it needs . . . would take measures . . . to prevent the export of gold and to secure additional supplies" as needed "would thus prevent or diminish the monetary stringency that would otherwise occur."<sup>104</sup>

In England, Paish's relationship with Lloyd George continued. After his previous estimates were justified by high revenues for the 1911 budget, his position with Lloyd George was secure. According to Paish, "From that time onward, whenever Lloyd George had to make a speech to the Bankers, his secretary applied to me for 'notes'."<sup>105</sup> In July 1911, he made suggestions for Lloyd George's Mansion House Speech. The Second Moroccan Crisis had

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<sup>102</sup> According to Paish, Roosevelt used the phrase "international police force" in this speech, so others outside of the State Department may have read Paish's earlier proposal. Sir George Paish, *Memoir I*, 30-33.

<sup>103</sup> Friedman, 72.

<sup>104</sup> *Congress, Senate*, National Monetary Commission, "The Trade Balance of the United States by George Paish," 61<sup>st</sup> Cong., 2d sess., 1910, Document No. 579: 212-213. The Federal Reserve opened in 1914. See Friedman, 76-77.

<sup>105</sup> Sir George Paish, *Memoir I*, 20.

brought investments to a standstill. His overall trade predictions were positive, but he suggested that Lloyd George “say something reassuring about the Moroccan situation in order to build up confidence,” so that new investments would resume.<sup>106</sup> To his surprise, Lloyd George gave a very patriotic speech in which he declared that certain sacrifices were acceptable to preserve peace, but if the sacrifice were “the surrender of the great and beneficent position Britain has won by centuries of heroism and achievement . . . then . . . peace at that price would be a humiliation intolerable for a great country like ours to endure.”<sup>107</sup> The speech was popular in London, but sent a clear message to France and Germany that Britain would not be sidelined from continental affairs.<sup>108</sup>

In his memoir, Paish recounted an incident between General Sir John French, Inspector-General of the British Army, and the Kaiser shortly after Lloyd George’s speech.<sup>109</sup> The Kaiser’s remarks amounted to a threat that he could conquer France in six weeks before turning his attentions to England. The “British Fleet prepared for war. . . [and] shadowed the German Fleet.”<sup>110</sup> Then, quite unexpectedly, about two hundred German businessmen asked the Kaiser to postpone the war for two years in order for them to free themselves of international investments. Thus, the war did not come in 1911. “Beneath this surface, however, war was brewing: a war

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<sup>106</sup> Sir George Paish, *Memoir I*, 20. In 1911, France sent soldiers to Morocco, essentially establishing a protectorate. Germany wanted compensation to keep colonial possessions even, so the Kaiser had sent a gunboat, the *Panther*, to Agadir, Morocco in protest. Germany wanted the French Congo as remuneration for this latest French expansion. Britain, already nervous from the German naval build up, spoke out against Germany gaining the port of Agadir. Britain’s closer alliance with France alienated Germany. With none of these nations willing or ready for war, France gave Germany part of the French Congo; but as each nation could claim that the other parties had insulted their national honor, peace was merely the absence of war.

<sup>107</sup> Sir George Paish, *Memoir I*, 20-21; John Grigg, *Lloyd George: The People’s Champion, 1902-1911* (Berkeley: University of California Press, 1978), 309.

<sup>108</sup> Grigg, *People’s Champion*, 309-310.

<sup>109</sup> General French became the Commander in Chief of the British Expeditionary Force in 1914.

<sup>110</sup> Sir George Paish, *Memoir I*, 22-23.

that, given the excuse, Germany was quite prepared to fight some years before 1914.” Further German naval expansion showed that the Kaiser’s “lust for power transcended all other considerations. Peace was impossible with such a man.”<sup>111</sup>

In the years leading up to the war, Paish continued his travels. His reputation and introductions from friends allowed him to meet officials in Germany and America, where he made visits in 1912 and 1913, respectively. His assessment of Germany’s frustrations was that the country “wanted colonies. In particular she wanted to take over Brazil, but could not do so because of [British] support of the Monroe Doctrine” which “guaranteed all the South American countries from aggression by a European nation.”<sup>112</sup> In America, he met with President Wilson, who had questions on British policy toward Mexico. Secretary of the Treasury William McAdoo then asked him for advice on the Federal Reserve Act, which he was happy to give. As his paper for the National Monetary Commission affirmed, Paish favored the creation of the Federal Reserve System, which occurred in 1913.<sup>113</sup>

#### Wartime Work in the Treasury (1914-1915)

After years of uneasy peace, on 28 June 1914, Gavrilo Princip killed the Archduke Franz Ferdinand and his wife Sophie in Sarajevo. As heir to the throne of Austria-Hungary, his tragic death provided premise for his nation and her allies to go to war. Germany showed great interest in the subsequent course of events. The July Crisis of 1914 bridged the assassination and the declaration of war on Serbia by Austria-Hungary. At that time, the alliances of the Great Powers

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<sup>111</sup> Sir George Paish, *Memoir I*, 24. All quoted material between the previous footnote and the end of the paragraph were from this page.

<sup>112</sup> *Ibid.*, 36.

<sup>113</sup> *Ibid.*, 52, 55-56.

made a general war possible. The balance of power that had prevented war for decades crumbled in a matter of weeks.<sup>114</sup>

Before the formal declarations of war, Paish was still working at *The Statist*, and every week he wrote an article on the London Money Market. Austria-Hungary's declaration of war on July 28 had created a crisis. When Paish went round to the banks on July 29, his first stop was with "Mr. Ruff, manager of the Swiss Bankverein." The normally friendly man "was desperately worried. He told me that the money market had broken down." Since his bank was foreign, the Bank of England was not obligated to help him. Any large withdrawal would force him to close. Paish's next statement revealed his general and personal sympathy: "It was grim news indeed, but what distressed me more than anything else was the dire plight of this charming man, and the fact that, on giving me this news, he broke down and cried."<sup>115</sup> In the midst of a looming international crisis, Paish's primary recollection was its effects on individuals.

News from the Bank of England was not any better. As Paish's conversation with Director Frederick Jackson indicated:

Paish: "What has happened to the Money market? They tell me that it has broken down."

Jackson: "It has. We the Accepting Houses, in contact with the continent, cannot get our remittances and eight of us are going to declare ourselves insolvent next week."

Paish: "You can't do that."

Jackson: "We have no option. My own firm has £5,000,000 of bills to meet next week and no money to meet them with. The total deficiency is £50,000,000."

Paish: "You must not fail"

Jackson: "We can't help it."<sup>116</sup>

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<sup>114</sup> Within a few days, the major powers declared war on each other. Austria-Hungary declared war on Serbia on July 28. Tsar Nicholas II ordered Russia's mobilization on July 30. Austria then declared war on Russia. Germany mobilized and declared war on Russia on August 1. France's alliance with Russia demanded a declaration against Germany. Germany declared war against France on August 3, and the German army invaded Belgium. Thus, on August 4, Britain also declared war against Germany.

<sup>115</sup> Sir George Paish, *Memoir I*, 58.

<sup>116</sup> *Ibid.*, 59.

He went to speak with Lloyd George at 11 Downing Street, who asked for updates as they became available. The story was the same at Lloyds Bank the next day, which was Thursday, July 30. Depositors were asking for gold, but were getting notes redeemable at the Bank of England. A quick visit to that Bank showed him that a run was in progress.<sup>117</sup>

Another meeting with Lloyd George resulted in an invitation to join a meeting on the subject the next day. He arrived early on Friday, July 31, and the Chancellor asked him to write a note giving reasons not to suspend specie payments. Paish's only recollection of his reason was "It is unnecessary to suspend specie payments, for every Britisher is a loyal subject and will respond to a public appeal to stop drawing his account from the banks, if asked to do so by the Government." That evening's "meeting decided not to suspend payments," with assurances from the Bank of England that they had enough gold to cover their notes.<sup>118</sup>

Afterwards, Paish accompanied Lloyd George back to Downing Street. The conversation was a turning point for Paish.

On the way he asked me to come into the Treasury as his assistant. This was not very much to my liking and I told him that I had no wish to become a civil servant. He replied that that would mean that I could never, in future, attend any of the committee meetings called to discuss help to the bankers. As I wanted to make sure that this help would not fail to be given, I agreed to his suggestions and was asked to report for duty on Monday morning.<sup>119</sup>

Thus, Sir George began his work with the Treasury on Monday, August 3, traditionally a banking holiday. Over breakfast, the group of eight advisors agreed that peace was the most desirable course of action. Lloyd George left them for a Cabinet meeting, returning two hours later. "With one voice we asked: 'What is it?' He answered in one word: 'War.' There was a

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<sup>117</sup> Sir George Paish, *Memoir I*, 59-60.

<sup>118</sup> *Ibid.*, 60-61.

<sup>119</sup> *Ibid.*, 61.

moment of stunned silence, and then one of us – I don't know who – asked: 'On what grounds?' 'The Germans,' said Mr. Lloyd George, 'have invaded Belgium . . . and Belgium is under our guarantee.'"<sup>120</sup>

Paish was one of many who worked the "long weekend" of August 4-6 trying to avert a banking crisis following Britain's declaration of war.<sup>121</sup> The same day he set to work on "a plan to preserve the eight Accepting Houses from bankruptcy."<sup>122</sup> The British government guaranteed the Bank of England and printed more money to alleviate any potential panic. The Treasury gave trading institutions and banks a moratorium – more time to collect and thus avoid bankruptcy, as the declaration of war had already disrupted the flow of international trade.<sup>123</sup> The plan saved the banks – "not one House failed." Now that Britain had declared war, specie payments had to be suspended. The traditional Bank Holiday for Monday was extended for the entire week.<sup>124</sup>

Two months later, Paish summarized the issues the Government faced with the banks, saying, "there were . . . large sums owing to banks which had accepted bills of German and Austrian houses, and these were at once rendered uncollectible for the time being. The guarantee by the Government, through the Bank of England, will protect those people who would have been unable to pay their bills."<sup>125</sup> The Government further guaranteed these international banks by advancing funds and "to postpone until a year after the end of the War any claim against them

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<sup>120</sup> Sir George Paish, *Memoir I*, 61-62.

<sup>121</sup> Thomas Jones, *Lloyd George* (Cambridge, MA: Harvard University Press, 1951), 51; David Lloyd George, *War Memoirs of David Lloyd George, 1914-1915* (Boston: Little, Brown, and Company, 1933), 94. The Government extended the August Bank Holiday, which typically closed Banks on Monday, to last through Thursday, creating a "long weekend" that actually lasted almost week.

<sup>122</sup> Sir George Paish, *Memoir I*, 63.

<sup>123</sup> Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009), 32. Lloyd George, *Memoirs*, 94-98.

<sup>124</sup> Sir George Paish, *Memoir I*, 64.

<sup>125</sup> "Finance in London Normal, Says Paish," *New York Times* (1857-1922); Oct 17, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 15.

for repayment.” This measure provided a lengthy extension of time for the banks to recover naturally and continue their business as usual.<sup>126</sup> In September, Paish advised Lloyd George to lift the banking moratorium by early November, 1914, which he did.<sup>127</sup>

Part of Paish’s responsibility at the Treasury was to let Lloyd George know what he as Chancellor was to do the next day. Lloyd George then required a memo on those activities by early the next morning. For Paish, this meant “a hasty dinner followed by a long period of work. I usually went to bed rather late, and had to be up again at about 4.30 to write again until 6.0. It was hard work, but I enjoyed it and felt that I was doing something really worthwhile for my country.”<sup>128</sup> The stress and demands exhausted Paish physically and mentally.

At the invitation of Secretary McAdoo, Sir George went to America to assure them of the continued need and desire for the free exchange of cotton. Lloyd George asked Paish to write one more memo on the American position shortly before he left - a stiff undertaking to finish in only one day. At the time, America owed Britain a large amount of money, but Paish pointed out that if the war continued, Britain would end up borrowing from America.<sup>129</sup> He was soon proved right, as his writings throughout the 1920s dealt extensively with the issue of war debts to America.

The outbreak of war increased the British demand for cotton, but the war had upset international trade, impeding the transport of raw materials from America. Initially, cotton was not on the embargo list to the belligerent powers. Large amounts of cotton went to European countries without incident for a few months. As the war continued, however, the British

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<sup>126</sup> Lloyd George, 99.

<sup>127</sup> *Ibid.*, 100.

<sup>128</sup> Sir George Paish, *Memoir I*, 64.

<sup>129</sup> *Ibid.*, 65.

blockade of Germany prevented the cotton trade, in violation of the initial agreement with the Americans.

Thus, shortly after the resolution of the banking issues, Paish and Basil Blackett, another Treasury official, were on their way to America to discuss the cotton trade and international trade.<sup>130</sup> *The New York Times* sub-headline read “Cotton and Its By-Products Declared Non-Contraband.” McAdoo said:

Their visit is the result of informal suggestions made by me through diplomatic channels to the Chancellor of the Exchequer in London. It is believed that a discussion of certain phases of these problems on the ground here may be productive of beneficial results. This is simply another of those instances where the Government is using its good offices to help the business situation.<sup>131</sup>

They arrived in New York on October 16, 1914. Paish summarized the financial health of Britain as “conditions are practically normal in London. . . . We do not look for any trouble when the moratorium expires, on Nov. 4.”<sup>132</sup>

From New York, they went to Washington. His purpose in meeting with McAdoo was “to receive information, not to make suggestions.”<sup>133</sup> However, he made suggestions anyway when asked for his opinion. He said that the Stock Exchanges should reopen soon, since the initial panic that accompanied the outbreak of war had passed.<sup>134</sup> *The New York Times* got the idea that Paish’s meetings with the Treasury might result in “the synchronous opening of the London and New York Stock Exchanges and the opening of the British and American Cotton

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<sup>130</sup> *The Times*, Monday, Oct 12, 1914; pg. 14; Issue 40663; col B; “Britain Sending Trade Conferees,” Special to *The New York Times*. *New York Times (1857-1922)*; Oct 11, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 12.

<sup>131</sup> *New York Times*, Oct. 11, 1914.

<sup>132</sup> *New York Times (1857-1922)*; Oct 17, 1914.

<sup>133</sup> *Ibid.*

<sup>134</sup> “The Financial Situation in America and Europe,” *New York Times (1857-1922)*; Oct 19, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 10.

Exchanges.” By opening both simultaneously, financiers hoped that the trade balance might be restored.<sup>135</sup> The New York Stock Exchange reopened for limited exchanges first, on November 28, 1914. The London Exchange reopened on January 4, 1915.<sup>136</sup>

On October 19, Paish and Blackett met President Wilson. They informed him that the financial situation of Europe was dependent on support from the United States. Wilson agreed to help in any way he could.<sup>137</sup> In a press conference on October 22, Wilson said that Paish told him that England was willing to accept American cotton because “their factories presently will be standing still unless the cotton begins to be shipped...they would naturally buy as much as possible at a low price and store it against” future needs.<sup>138</sup> At the beginning of the war, America owed money to Britain, and Paish suggested that cotton exports would help to pay that debt instead of only using gold that was backing American currency and business.<sup>139</sup>

In addition to meeting with Treasury officials, Paish conferred with the leading bankers of New York to discuss debts, exchange, and the cotton question.<sup>140</sup> In a letter to Wilson dated October 24, British Ambassador Cecil Spring Rice gave Sir George’s opinion on the cotton question: “Paish tells me that the negotiations . . . are going on well . . . .He thinks the question of the purchase of cotton depends on whether or no there is reason to believe that bottom prices

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<sup>135</sup> “England Wants Exchanges Open,” Special to *The New York Times*. *New York Times (1857-1922)*; Oct 20, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 1.

<sup>136</sup> “History of New York Stock Exchange Holidays,” <http://www.nyse.com/pdfs/closings.pdf> (accessed March 25, 2011), 5. “London Exchange Resumes Trading,” Special Cable to THE NEW YORK TIMES. *New York Times (1857-1922)*; Jan 5, 1915; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*, 17.

<sup>137</sup> *The Times*, Tuesday, Oct 20, 1914; pg. 12; Issue 40671; col F.

<sup>138</sup> Woodrow Wilson, *The Papers of Woodrow Wilson*, VOL 50 (Princeton: Princeton University Press, 1985), 618.

<sup>139</sup> “England to Take Cotton for Debts,” *New York Times (1857-1922)*; Oct 22, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 3.

<sup>140</sup> “Plan Ways Today to Pay Debt Abroad,” *New York Times (1857-1922)*; Oct 23, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 2.

have been reached.”<sup>141</sup> Paish pointed out that as the war continued, Britain would buy significant amounts of American raw materials and food. The balance of trade would then be in America’s favor. He did not see the need for loans at this point, as everyone expected the war to be short.<sup>142</sup> Yet he did suggest the directors of the Federal Reserve Banks “to open their banks as quickly as possible,” which they did. The schedule was for the banks to open in January of 1915, but they opened in November, which Paish described as “a piece of American ‘hustle’ that was of immense value to the war effort.”<sup>143</sup>

In late October, an official announcement came to America that guaranteed overseas trade of cotton. On the 29<sup>th</sup>, McAdoo wrote to Wilson to inform him of the progress on the matter. He informed Wilson of Paish and Blackett’s visit:

...to confer with me and American bankers, with a view to still further improving the conditions of foreign exchange and of helping the cotton situation. Their visit has been fruitful of good results already. Growing out of these discussions and as a result of the negotiations of the State Department and the British government, assurances have been received from that Government that cotton is on the free list and will remain so, and that shipments of cotton, even to the ports of belligerent powers, under neutral flags will be respected.<sup>144</sup>

This measure proved to be short-lived. By late November, the problem was beginning to right itself, making further discussion unnecessary.<sup>145</sup> In 1915, the British declared “cotton as

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<sup>141</sup> Woodrow Wilson, *The Papers of Woodrow Wilson*, VOL 31 (Princeton: Princeton University Press, 1979), 230.

<sup>142</sup> “Foreign Exchange Drops,” *New York Times* (1857-1922); Oct 25, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), XX11.

<sup>143</sup> Sir George Paish, *Memoir I*, 69.

<sup>144</sup> Wilson, *Papers*, VOL 31, 252.

<sup>145</sup> John J. Broesamle, *William Gibbs McAdoo: A Passion for Change, 1863-1917* (Port Washington, New York: Kennikat Press, 1973), 198-199.

contraband of war,” limiting the trade at the moment that it was just starting to recover. Exports diminished not long thereafter.<sup>146</sup>

By November, the official business with the Treasury was complete, and Sir George met with other leading financial authorities. He spoke to the Bankers’ Convention in Philadelphia, saying “that the financial obstacles in England had been satisfactorily adjusted, and that the way was now clear for the resumption of business on a normal basis.”<sup>147</sup> One American journalist dubbed him the “British ambassador of prosperity,” lauding him for his work on the war thus far because of the complicated economics of empire, loans, exchange, and trade. “The views of a man dealing with these problems...are inferior to those of no other man of finance.”<sup>148</sup> The journalist recognized that America was in a unique position as a prosperous and neutral power; with a resumption of normal banking, Sir George said that the United States would need “to enlarge its operations as an international money lender.”<sup>149</sup> The potential of American exports and finance soon came to fruition, with America financing the Entente in loans and goods.

Upon his departure from America, *The Times* correspondent said that even though the results of Paish’s mission were uncertain, pending further discussion in London, his visit was productive, nevertheless. He “has brought Washington, New York, and London into closer touch than any amount of official correspondence could have done.”<sup>150</sup> Although business prospects

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<sup>146</sup> Mary Synon, *McAdoo: The Man and His Times, A Panorama in Democracy* (Indianapolis: The Bobbs-Merrill Company Publishers, 1924), 167.

<sup>147</sup> *The Times*, Monday, Nov 16, 1914; pg. 15; Issue 40698; col B.

<sup>148</sup> “The British Ambassador of Prosperity,” *New York Times (1857-1922)*; Nov 5, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 10. Many papers from this time period did not include the author’s name in an article’s byline, as here.

<sup>149</sup> *Ibid.*

<sup>150</sup> *The Times*, Monday, Nov 23, 1914; pg. 14; Issue 40705; col C.

had improved, Paish was not sure the time had come to reopen the Stock Exchange, which had closed with the outbreak of the war.<sup>151</sup>

Bankers in New York gave Paish assurances of their desire to help. “J.P. Morgan, who was at the pier to see his partner away, said to Sir George Paish that if there was anything the New York banking house could do to improve the situation action would not be denied.”<sup>152</sup> This must have been J.P. Morgan, Jr. His partner, Henry P. Davison, joined Paish and Blackett to work out a contract for supplies, with the Morgans as “buying Agents in America during the war.”<sup>153</sup> John Hays Hammond, a former special ambassador and mining magnate, hosted a lunch for Sir George in New York before his departure. “As I was leaving, he shook me by the hand and said: ‘Goodbye, Sir George, and remember this. When you want us, we will come.’ I returned home feeling that a good job had been done and that the future was safe.”<sup>154</sup>

Later, correspondents indicated that the British delegation to America had been unnecessary. While Paish was still in America, many hoped that the natural course of trade would restore itself soon.<sup>155</sup> Indeed, McAdoo and the Federal Reserve Board realized that

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<sup>151</sup> *The Times*, Tuesday, Nov 24, 1914; pg. 14; Issue 40706; col E.

<sup>152</sup> “Paish Thinks Cities Should Intertrade,” *New York Times (1857-1922)*; Nov 26, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*, 17.

<sup>153</sup> Sir George Paish, *Memoir I*, 70. Davison had worked on the Cotton Load Pool, and a plan for “stabilizing the exchange” in New York with Paish and Blackett. Davison spent a few weeks in London from December 1914-January 1915. He met with Lloyd George and Prime Minister Asquith with frequency, and he gave them advice on matters of finance, the need for future loans, and even the need for cooperation between the Allies. See Thomas W. Lamont, *Henry P. Davison: The Record of a Useful Life* (New York: Harper & Brothers Publishers, 1933), 188-191.

<sup>154</sup> Sir George Paish, *Memoir I*, 70. John Hays Hammond was a close friend of Taft’s before and during his presidency, having met at Yale and renewing their friendship about twenty-five years later. Both of them worked on early peace conference efforts, which Paish was interested in as well. See John Hays Hammond, *The Autobiography of John Hays Hammond*, Vol. 2 (New York: Farrar & Rinehart Incorporated, 1935), 530-531, Chapter 30 “Peace and Preparedness.”

<sup>155</sup> “Finance Sky Clearing,” *New York Times (1857-1922)*; Oct 28, 1914; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 20.

“improving conditions” had satisfied the issues that the British visit came to rectify.<sup>156</sup> New York bankers sent their own representatives to accompany Paish and Blackett in order to keep communications open.<sup>157</sup> By December, the governments of both countries realized the economic crisis had passed; time had restored the economic status quo, and no special arrangements for trade were needed.<sup>158</sup> An overview of war finance with America appeared in *The Times* in July 1919. “The rapid extension of the British Navy’s control of the Atlantic shipping lanes” restored the normal flow of international trade, making Paish and Blackett’s visit to Washington superfluous.<sup>159</sup> Paish had hoped in October 1914 that “increasing exports” would preclude any need for “special measures,” which apparently happened.<sup>160</sup> Special measures became necessary only later, as the war lasted much longer than anyone originally anticipated.

Immediately prior to departing from America, Paish conducted a final interview with the *New York Times*. He thought the New York Stock Exchange opening would go well, and he advised trading with English cities in spite of the London Exchange being closed. When asked about the war’s benefit to America, Paish uttered an almost prophetic reply: “No misfortune that falls upon a great number of people can benefit any other for any length of time. During the war the United States will have great prosperity. Your misfortunes will come later.”<sup>161</sup> The Great Depression came a little less than fifteen years later and proved him painfully correct. In his

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<sup>156</sup> “Foreign Exchange Plan Strikes Snag,” *New York Times* (1857-1922); Nov 22, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), C5.

<sup>157</sup> “Stotesbury Quits Bank,” *New York Times* (1857-1922); Nov 24, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 17.

<sup>158</sup> *The Times*, Thursday, Dec 17, 1914; pg. 13; Issue 40728; col G.

<sup>159</sup> *The Times*, Friday, Jul 04, 1919; pg. xiii; Issue 42143; col A.

<sup>160</sup> Ray Stannard Baker, *Woodrow Wilson: Life and Letters, Neutrality, 1914-1915*, Vol. 5 (Garden City: Doubleday, Doran & Company, 1935), 184.

<sup>161</sup> “Paish Thinks Cities Should Intertrade,” *New York Times* (1857-1922); Nov 26, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 17.

estimation, the war would end only when they were sure “militarism is crushed forever.”<sup>162</sup>

Paish then predicted that “commerce will go on in spite of the war, but after hostilities close the nations, to use an electrical phrase, will short-circuit Germany.”<sup>163</sup> This prediction proved true, as Germany faced economic ruin because of reparations, inflation, a worthless currency, and high unemployment that resulted from the peace.<sup>164</sup>

On his arrival in Britain, he refused to comment on his official business, but he did say that America was neutral only in its governmental position. The people “do not disguise their feelings. Any success of the Allies is openly hailed with joy. Americans have no doubt whatever about the result of the conflict.”<sup>165</sup> On the economic side, business had resumed and things “could scarcely be better.”<sup>166</sup> America sold war goods on credit and eventually took over the role from Britain as main creditor nation, which Paish predicted in December, 1914.<sup>167</sup>

He resumed his responsibilities at the Treasury in December, and in January 1915, John Maynard Keynes joined the Treasury as his assistant. “This was in preparation for my own resignation, which because of certain developments, was rapidly becoming necessary. . . . [Lloyd George] told me that he wanted to appoint me to a new post, and I realised immediately that, if I accepted, I would become a permanent civil servant.” As Paish wished to avoid this course, he

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<sup>162</sup> “Paish Thinks Cities Should Intertrade.” The abrupt end of the war precluded that goal. In the words of John Morrow, “Germany . . . quit before the western powers conquered it.” John H. Morrow, Jr., *The Great War: An Imperial History* (New York: Routledge, 2004), 283. Arguably, European militarism did not end until after World War II.

<sup>163</sup> Ibid.

<sup>164</sup> See Ahamed, 104-109, 119-129, 184-216.

<sup>165</sup> “Found America for Allies,” *New York Times* (1857-1922); Dec 4, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 3.

<sup>166</sup> Ibid.

<sup>167</sup> “U.S. as World’s Bankers,” *New York Times* (1857-1922); Dec 4, 1914; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 14; Ahamed, 130-131.

resigned from the Treasury to return to *The Statist*, while still working with the Treasury informally as he had done before.<sup>168</sup>

Dated January 19, 1915 from his home in Limpsfield, his resignation letter read,

To the Right Hon.ble. The Chancellor of the Exchequer,  
Sir,

For sometime past I have found my duties at the Treasury so full of anxiety that I have suffered from insomnia and am apprehensive of a total breakdown.

In these circumstances I feel compelled to relinquish the post at the Treasury to which you so kindly appointed me last autumn and to tender you my resignation.

I need scarcely say that if at any time I can be of service to my country and to you I shall be entirely at your disposal

Your obedient servant,  
George Paish.<sup>169</sup>

Paish's resignation received a reply in late March from Lloyd George, who accepted it "with the greatest reluctance." His knowledge, experience, and "resourcefulness which you displayed on every occasion, contributed in no small degree to the success with which we were able to meet and overcome one set of difficulties after another." He thanked him for his efforts, and hoped he would soon recover from the strain of his position. "I trust that we may still have the benefit of your assistance when occasion requires."<sup>170</sup>

However, his relationship with Lloyd George would have altered anyway, as Lloyd George left the Treasury for the Ministry of Munitions in May 1915. By the following summer, he was Secretary of State for War, and in December 1916, he replaced Asquith as Prime Minister. While Lloyd George advanced politically during the war, Paish decided to leave civil

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<sup>168</sup> Sir George Paish, *Memoir I*, 72. According to *The Times*, Paish went back to *The Statist* full time sometime shortly after March 1915. *The Times*, Saturday, Mar 27, 1915; pg. 9; Issue 40813; col C.

<sup>169</sup> George Paish to David Lloyd George, January 19, 1915, C/1/2/3, Lloyd George Papers, Parliamentary Archives, London, United Kingdom.

<sup>170</sup> David Lloyd George to Sir George Paish, March 30, 1915, COLL. MISC. 621/4 Paish Letters, *Memoirs and miscellaneous papers of Sir George Paish, economist (1867-1957)*, British Library of Political & Economic Science, London School of Economics, London, United Kingdom.

service, though he still desired to do his part for the war effort in his own way – through writing and lecturing to the civilian and military populations.

#### Post-Treasury Activities (1915-1916)

Paish had first applied statistical analysis to Britain's railways to determine cost efficiency; during the war, statistical analysis of economic strength became a significant factor for planning victory by attrition. According to Broadberry and Harrison, at the outbreak of war, both sides intended to win "by military, not economic means, and [the war] was to be finished off long before economic factors could be brought into play. It was only after this plan had failed, as the leaders on each side contemplated the ensuing stalemate, that belts began to be tightened and sleeves rolled up for the mobilisation of entire economies."<sup>171</sup>

Paish wrote several articles throughout the war, and he lectured with frequency after leaving the Treasury.<sup>172</sup> Paish recognized that the Allies were more economically prepared to deal with a long war than was Germany. The longer Germany fought, the worse the peace conditions would be.<sup>173</sup> By the end of 1915, German submarines were destroying large amounts of shipping, so prices for all materials increased because transportation and its insurance involved higher risk and cost.<sup>174</sup> With the war continuing so much longer than anticipated, loans

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<sup>171</sup> Stephen Broadberry and Mark Harrison, "The Economics of World War I: An Overview," in *The Economics of World War* (New York: Cambridge University Press, 2005), 4.

<sup>172</sup> See: Sir George Paish, "Prices of Commodities in 1913," *Journal of the Royal Statistical Society*, Vol. 77, No. 5 (Apr., 1914):556-570; "Prices of Commodities in 1914," *Journal of the Royal Statistical Society*, Vol. 78, No. 2 (Mar., 1915):281-295; "Prices of Commodities in 1915," *Journal of the Royal Statistical Society*, Vol. 79, No. 2 (Mar., 1916):189-206. For lectures, see: *The Times*, Thursday, Oct 14, 1915; pg. 5; Issue 40985; col B.; *The Times*, Saturday, Jan 15, 1916; pg. 3; Issue 41064; col A.; *The Times*, Monday, Feb 07, 1916; pg. 12; Issue 41083; col A.

<sup>173</sup> "Predicts Economic Failure in Germany," *New York Times* (1857-1922); Apr 24, 1915; ProQuest Historical Newspapers *The New York Times* (1851 - 2006), 3.

<sup>174</sup> Paish, "Prices of Commodities in 1915," 190, 197.

from America became necessary to finance the Entente. Initially Paish thought the amounts were manageable, but with inflation, the debts were mounting rapidly, and he knew that Britain would have to work very hard to pay it back after the war.<sup>175</sup> For this reason, many of Paish's lectures encouraged economy on the home front, encouraging citizens to cut back on luxuries in order to buy war bonds.<sup>176</sup> The war was costing more than anyone had fathomed, and all the European nations were steadily falling into debt with each other and America. Paish hoped that the economic expansion that the war had occasioned would continue after the war, notwithstanding Britain's debts to America.<sup>177</sup>

In March 1916, Paish presented a paper on "War Finance" to the Royal Statistical Society, which appeared in the society's journal that May. He said that the war "now seems to be approaching its final stages," and that Britain's war economy was stronger than anticipated.<sup>178</sup> In Paish's view, the mobilization of existing industry and the return on overseas investments had partially offset the war's vast expenditures until that point.<sup>179</sup> Income, prices, and wages had increased, but this did not necessarily mean a proportionate increase in production. Higher prices were largely responsible for the fifty-seven percent increase in income, and the number of people employed in production industries was down from pre-war times because so many men were at

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<sup>175</sup> Paish, "Prices of Commodities in 1915," 198;

<sup>176</sup> *The Times*, Thursday, Oct 14, 1915; pg. 5; Issue 40985; col B.; *The Times*, Saturday, Jan 15, 1916; pg. 3; Issue 41064; col A.

<sup>177</sup> "Paish Sounds Warning Note," *New York Times (1857-1922)*; Oct 14, 1915; ProQuest Historical Newspapers *The New York Times (1851 - 2006)*, 1.

<sup>178</sup> George Paish, "War Finance," *Journal of the Royal Statistical Society*, Vol. 79, No. 3 (May, 1916): 267. The French were holding back the German offensive at Verdun at this time; a battle that lasted from February to December 1916. The Somme was the Entente's offensive, which lasted from July to November. See Morrow, 124-136.

<sup>179</sup> *Ibid.*, 268.

the front.<sup>180</sup> However, Paish noted that the production capacity of women had increased substantially as they took the men's places in the factories.<sup>181</sup> He emphasized that people did not generally produce at their full capacity in peace time, and untapped labor resources still existed to supplement more men leaving industry for the war. At that point, "it will be imperative for everyone to work more efficiently and harder than ever before in order to maintain the production and income of the nation and to meet the expenses of the war."<sup>182</sup>

After examining the effects of labor and production, Paish explored the total amounts "raised and spent for war purposes."<sup>183</sup> Parliament had passed new taxes to help finance the war effort, but the amounts raised did not compare to the amounts spent. He estimated nearly two billion pounds would be needed for another year of fighting. His advice was for the British people to continue working hard, keeping production up, and being cost-effective with the goals of maintaining the Navy, supporting its allies financially, and fielding an army of four million men. Civilians fought this economic battle, which was "a task worthy of [Britain's] great traditions."<sup>184</sup>

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<sup>180</sup> Paish, "War Finance," 269. With fewer men available to work, women earned higher pay than before because of the labor shortage.

<sup>181</sup> Ibid. By the end of the war, women made up nearly thirty-eight percent of the workforce. Stephen Broadberry and Peter Howlett, "The United Kingdom during World War I: Business as Usual?," in *The Economics of World War* (New York: Cambridge University Press, 2005), 207. See also Susan R. Grayzel, *Women in the First World War* (New York: Pearson, 2002), 27-35.

<sup>182</sup> Paish, "War Finance," 270.

<sup>183</sup> Ibid.

<sup>184</sup> Ibid., 284. Paish's son Frank enlisted a few months after the publication of this article. He was injured by shrapnel in 1918, and was later awarded the Military Cross for reconnaissance near the front line. See Frank Paish, 9, 68-74. Paish visited France to lecture the soldiers and visit with Frank in early 1918. Paish recalled a conversation with an American commander, "the officer who was responsible, not only for billeting the existing American troops, but also the promised addition of a million more men. He showed me his map and spoke of his 'job' with a confidence that is a characteristic of the Americans, and which, in the circumstances, I found very reassuring. 'It's quite simple,' he said. 'The first quarter of a million are going there; the second there; the third there; and the fourth there.' There was no doubt about it: the job was in most capable hands." Paish, *Memoir I*, 84-85.

## Mental Collapse and Recovery - Looking Towards the Post-War World (1916-1918)

Paish remained active after leaving the Treasury, writing, lecturing, and traveling within Great Britain until the middle of 1916. While his memoir simply stated that the traveling schedule “was beyond my strength, and I found it necessary to go to Exeter for a long rest. My health, in fact, kept me in Devonshire, away from London, from July nearly to Christmas.”<sup>185</sup> His friend Sir George Gibb supplied the full details of Paish’s illness in a private letter to Lloyd George. He revealed that Paish’s illness was mental, “brought on mainly by the work and worry which he has had since the outbreak of War. He is suffering from delusions.” He showed signs of paranoia and was afraid that Treasury officials were trying to kill him. Paish entered an asylum, feeling protected from the outside world. Gibb continued, “Apart from his delusions his mind is entirely clear and unaffected and you might talk to him for a whole day without ever detecting a trace of delusion; then one would suddenly break out.” Paish requested a letter from Lloyd George as evidence of his good will. He was worried that some articles in *The Statist* had offended him, and he wanted Lloyd George to know “he had nothing to do” with the articles in question. Gibb concluded that “a nice letter from you would be a great comfort and help to him,” and that the doctors had hope that his illness was not permanent.<sup>186</sup>

Lloyd George wrote to Paish the same day,

My dear Paish,

I was so sorry to hear the other day that you had had a break-down in health. The overwork and anxiety of the War is telling on us all, and I feel myself sometimes as if I should like to take a voyage to the South Sea Islands and squat on the most inaccessible of them, where no papers could reach me, and remain there until this terrible War is over.

You must take a thorough rest. You thoroughly deserve it. No man gave me greater help during the severe financial crisis which followed the outbreak of war, and

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<sup>185</sup> Sir George Paish, *Memoir I*, 74.

<sup>186</sup> Sir George Gibb to David Lloyd George, July 25, 1916, E/4/1/16, Lloyd George Papers, Parliamentary Archives, London, United Kingdom.

your sagacious and well-informed counsel contributed materially to saving this country from disaster. I shall always feel grateful to you for the help you gave me then. You always took a brave, courageous and hopeful view of the situation. Throughout the whole of the tenure of my Office at the Treasury I relied more upon your advice than upon that of any of my other advisors, and in every instance your judgment of the outlook was justified by the event.

I am anxious that you should take a thorough rest, free from all care, for public as well as for personal reasons, because I feel certain that next year we shall need your counsel more than ever. But meanwhile take the advice of a friend: dismiss all care from your mind; do not bother about anything, and whatever you do, dismiss worry. You have honestly deserved a rest and you can feel that you at any rate have contributed more than most people to help your country in its greatest trouble.

Ever your sincere and grateful friend,  
D.L.G.<sup>187</sup>

By the end of 1916, Paish was again beginning to write. Memos in the Lloyd George papers and the National Archives showed that he was attempting to demonstrate the severity of the problem of food supply. The deficiency could be compensated with food from America. The Entente could not continue without American help. Gibb gave a copy of his first memo on the food issue to Lloyd George. Gibb did not distribute the other two copies to their recipients because Paish “was not as seriously ill as they had imagined.” America joined the war in April 1917, and “the entry of the United States went a long way towards the easing of the Allies’ difficulties so far as food was concerned.”<sup>188</sup>

Initially, Paish hoped the League of Nations could help organize economic recovery. In 1918, he published *A Permanent League of Nations*, a collection of his lectures from 1917 and 1918. In it, he stressed the connections between world policy, the League, economic interdependence, and international trade. These themes continued to appear in his writings

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<sup>187</sup> David Lloyd George to Sir George Paish, July 25, 1916, E/4/1/17, Lloyd George Papers, Parliamentary Archives, London, United Kingdom. John Grigg’s account of this correspondence states, “It would be hard to conceive of a more sensitively therapeutic letter, and it was written at a time when Lloyd George had every reason to be in a distraught state himself, as his Irish negation was collapsing in ruins. He received a letter of touching gratitude from Paish, and in forwarding it to him Lady Paish said that she was sure his letter had helped her husband.” John Grigg, *Lloyd George: From Peace to War, 1912-1916* (Los Angeles: University of California Press, 1985), 412.

<sup>188</sup> Sir George Paish, Memoir I, 76.

throughout the 1920s and into the Depression. In early 1918, the war was not yet over, and the League of Nations had not formed. Paish assumed that America would be in this body. This early work revealed his optimism for the world's economic potential, but also anticipated the difficulties that the postwar world faced. After going through a war to end all wars, he hoped that economic necessity would prevent another conflict, much like Norman Angell's prewar thesis, *The Great Illusion*.<sup>189</sup> In 1910, Angell said a war among the major powers ought to be impossible because the economic fallout would be disastrous. World War I proved Angell wrong in 1914, and in the decade following the war, the major powers likewise proved Paish wrong.

According to Paish, the primary goals of the League were to destroy nationalistic militarism and to provide for future economic cooperation. He hoped the League would encourage the nations to help each other with the "the temporary, but dangerous, economic and financial problems arising from the war," and by that cooperation "to exercise greater control over the financial and economic consequences of the war, consequences which, if not controlled, may prove even more disastrous to mankind than the war itself."<sup>190</sup> The war had disrupted the European economic system, resulting in famine and displacement. The nations needed to plan their economic recovery, otherwise economic chaos would manifest itself within a few short years.

The war had necessitated greater cooperation between the Entente Powers, allowing for free trade like never before by removing trade barriers. This process "created the machinery both for obtaining the things they need wherever they can be obtained, and of distributing them

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<sup>189</sup>Norman Angell, *The Great Illusion: A Study of the Relation of Military Power in Nations to their Economic and Social Advantage*, Third Rev. and Enlarged Ed., (New York: G.P. Putnam's Sons, 1911), vii, ix. According to Angell, "military and political power give a nation no commercial advantage; that it is an economic impossibility for one nation to seize or destroy the wealth of another . . ." He hoped to convince "the invader that he has no interest in [attacking another]; . . . that aggression will be deprived of its main motive, and the risk of war and necessity for armament . . . much lessened."

<sup>190</sup> Sir George Paish, *A Permanent League of Nations*, (London: T. Fisher Unwin, Ltd., 1918), 3.

according to the needs of each member of the Entente.”<sup>191</sup> The benefits were obvious. He optimistically thought that it was impossible “for the protectionist states to revert to their old policies after the experiences they have gained of the supreme advantages of world co-operation, both in production and in distribution.”<sup>192</sup> He then condemned any return to self-contained economic policy as entirely illogical. Britain could no longer practice isolationism. As the war made painfully clear, she could not feed herself solely by her own farms. American grain fed Britain during the war, and Paish saw no need for such a good relationship to end with the cessation of hostilities.<sup>193</sup> The Conservative party disagreed; they wished to protect their manufacturing interests by only allowing Imperial Free Trade, which prevented tariffs between Britain and her colonial empire. Because most of the fighting had happened in France, the American and German infrastructures were sound. Wartime production had strengthened their economies, and British manufacturers were afraid of the competition’s ability to undersell them on the international market.

Paish admonished nations to see the big picture of international trade and mutual benefit. Each nation’s prosperity depended on the “world's total purchasing power, as well as by its total productive power.” Removing tariffs and other trade barriers increased overall purchasing power. Every country needed to increase production to satisfy greater worldwide demand that had resulted from the war. He painted a rosy picture of potential wealth:

Their war experience has taught the nations that if in future they pursue a policy of political, economic and financial co-operation, if they stimulate purchasing power by removing restrictions, and if at the same time, they promote a more rapid and vaster production of the unlimited natural wealth with which the world is endowed, then the

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<sup>191</sup> Paish, *League*, 14-15.

<sup>192</sup> *Ibid.*, 15. He elaborated on the foolishness of isolationist self-sufficiency in *The Road to Prosperity* (1927).

<sup>193</sup> *Ibid.*, 15-20.

reservoir of well-being, not of one or two countries alone, but of all countries will reach dimensions never hitherto attained or even regarded as attainable.<sup>194</sup>

If cooperation trumped self-interest, the nations could make the world anew after the war. Free trade was the best economic stimulus for the recovering world. These measures were absolutely necessary, in his view, because of the “colossal war debts” of nations, banks, and businesses. When the war ended, payments on debts were due shortly thereafter. Otherwise, “any breakdown of national credit will place world credit in danger, with consequences that cannot be measured.”<sup>195</sup> Credit was a temporary measure for recovery, but it ended up becoming the basis of the economic system of the 1920s.

Paish had risen from obscurity to prominence. Appreciative of the value of hard work and education, he honed his skills in economics and writing in the pages of *The Statist*. His work on British and American railways brought him international recognition, in addition to securing his place on the railway committee of the Board of Trade. Brought into more prominent levels of government by his friends in the banking sector, Paish provided invaluable assistance to the Treasury and David Lloyd George throughout the war, even though it cost him his health and possibly his reputation among those who knew of his illness. His recovery brought him to a new stage of his life in the post war world. Although he was now about fifty, he continued to travel, lecture, and write on how Free Trade could help the world recover from the economic wounds of the war.

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<sup>194</sup> Paish, *League*, 22-23.

<sup>195</sup> *Ibid.*, 34.

## Chapter 2

### The “Unanswerable Logic” of Economics<sup>1</sup>: Reparations, Credit, and Debt in the Post War World

At the end of World War I, Paish was fifty-one with an established reputation as an economic statistician, analyst, and author. The expense of World War I had drained Europe’s economies, and Paish saw potentially dire consequences if nations did not carefully rebuild their financial systems. In the decade following the war, Paish attempted to provide advice on restoring the stability of international trade and finance. He followed a pattern of meeting with policy makers and heads of state; therefore, he probably had a method in his desire to influence policy by providing information and analysis.

To a certain degree, he acted as an ambassador without portfolio: he had no official government mission, papers, or position, but he sought to affect other nations’ international policy towards Britain, Free Trade, finance, and tariffs. After 1922, the Liberal party lost its place in Parliament to the Conservatives, who advocated Empire Preference and tariffs rather than Free Trade; Paish no longer had influence at the top levels of British government. Internationally, responses to his proposals varied, but the political and economic leaders of Europe and America no doubt heard what he had to say.

Throughout the 1920s, the issues of reparations, the French occupation of the Rhineland, war debt, credit for rebuilding, and agricultural and economic recovery figured prominently in Paish’s writings. As political and economic circumstances changed, his advice altered, but his worldview on Free Trade remained consistent. Nonetheless, increasing isolationism hindered economic recovery, and at times, Paish appeared to be a voice crying in the wilderness.

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<sup>1</sup> Paish used this phrase in his memoir, which stated, “[Economics] controls our lives with a grip that can never be shaken off, for it is based, inexorably, on facts and figures: a deadly combination that produces an unanswerable logic.” Sir George Paish, *Memoir I*, 2. Paish’s understanding of economic laws made him anxious about the course of events and international economic policy throughout the 1920s.

## Post-War Observations on Germany and the Peace (1918-1919)

Paish's first attempt at crisis prevention revolved around the Paris Peace Conference. In late 1918, Paish sent his ideas on conditions for the Versailles Peace Treaty to both Prime Minister Lloyd George and President Wilson.<sup>2</sup> Paish's peace plan included only four points. First, Continental questions ought to be settled with fairness to avoid grounds for future conflicts. Second, German reparations should be reasonable, meaning, an amount that Germany was able to pay. Paish thought fifty million pounds per annum was a realistic amount for reparations.<sup>3</sup> Third, the exiled Kaiser deserved the largest burden of war guilt.<sup>4</sup> Fourth, Paish favored the

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<sup>2</sup> Lloyd George was the head of a party losing power. He was still Prime Minister, but since 1916 he had led a coalition government with the Conservatives. The Prime Minister "went to Versailles saddled with the election pledges of harshness toward Germany." Morrow, 287. Another account stressed Lloyd George's mishandling the situation. Initially, his fellow liberals in the Treasury proposed a moderate rather than a punitive settlement, but the *Times* and *Daily Mail* played on the British population's desire for revenge. This influenced the election, so Lloyd George "pandering to public opinion, appointed to the British delegation to the Reparations Commission in Paris three of the most hard-line advocates of a punitive settlement." One of these was Lord Cunliffe, former head of the Bank of England, who had little knowledge of economics or of Germany's ability to pay. Cunliffe suggested astronomically high figures for reparations, which he admitted were "little more than a shot in the dark." Lloyd George had appointed men he thought he could sway, but "found himself captive to their intransigence." Ahamed, 105-107.

<sup>3</sup> Sir George Paish, *Memoir I*, 89. As Paish's hindsight indicated, both world wars were connected, and the Versailles Treaty was a significant hinge. The historiography of both World Wars provides ample evidence to support this observation. Fritz Fischer was a German historian who figures prominently in the historiography of World War I. His 1961 book challenged the prevailing interpretation of most German historians. Titled *Griff nach der Weltmacht, Die Kriegszielpolitik des kaiserlichen Deutschland 1914-1918* (literally, The Grab for World Power, War Politics of Imperial Germany), Fischer's thesis may have seemed unnecessarily strident against Germany to non-Germans, but due to Germany's languor in accepting any responsibility, perhaps Fischer purposely made his work a sharp reveille to make them reexamine their positions. When published in English, its title was less controversial: *Germany's Aims in the First World War*. Fischer's final conclusion had broad implications that he left for others to explore: "Above all, in the years of impotence and humiliation imposed, as the nation felt it, by Versailles the two illusions of the stab in the back and the purely defensive war nurtured... resentment against the order of 1919 and a faith that Germany would again rise to the rank of a world power." See: Fritz Fischer, *Germany's Aims in the First World War* (New York: W. W. Norton and Company, 1967), 638. In those few words, Fischer indicated that the self-defense thesis encouraged the same nationalistic philosophy that made Hitler's rise to power and promises of a powerful Germany appealing. See also: A. J. P. Taylor, *The Course of German History: A Survey of the Development of Germany Since 1815* (New York: Capricorn Books, 1962); Ian Kershaw, *The Nazi Dictatorship: Problems & Perspectives of Interpretation*, 4<sup>th</sup> ed. (New York: Oxford University Press, 2000); Reinhard Alter and Peter Monteath, eds. *Rewriting the German Past: History and Identity in the New Germany*. (New Jersey: Humanities Press, 1997).

<sup>4</sup>One of the main problems with reparations was that the German people were held responsible for a war that they did not ferment. The Kaiser had abdicated and fled into exile. "Now the German republic would pay for the

creation of the League of Nations to keep international conflicts to a minimum. Paish's memoir recorded that the reparations were later fixed at 6.6 billion pounds; the annual five percent interest and one percent sinking fund (a separate fund for gradual debt remittance) amounted to 400 million pounds. The annual interest and sinking fund alone were eight times the amount that Paish thought reasonable; the total was 132 times more. Paish noted, "There was absolutely no possibility of Germany being able to pay this amount, and I said so plainly."<sup>5</sup>

Always interested in viewing international economic conditions for himself, Paish had the opportunity to lecture soldiers in France and Germany, after the treaty was signed in the summer of 1919. On his travels, Paish sometimes had extraneous purposes beside his official business. On this trip, he wished to examine the effects of the wartime blockade on the health of the German people. He operated out of Cologne, until Major General Malcolm invited him to stay in Berlin where Malcolm was Chief of the British Military Mission.<sup>6</sup> Paish observed that the German cities and people were clean with "few outward signs of poverty," even in the "slum" area of Frankfurt. In Berlin, he saw children who appeared to have rickets, a bone condition resulting from malnutrition. The boys at a school were all underdeveloped by about three or four years. "Although the war may not have killed the children, the strain of it and the lack of food had most certainly prevented them from growing at the rate they should have grown."<sup>7</sup> The markets explained the children's condition, as meat was expensive and in short supply. "It was not a picture to inspire confidence in the minds of those who expected Germany to pay £400

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sins of its imperial predecessor, as it would bear the responsibility for the armistice, the coming peace, and, by extension, the loss of the war." Morrow, 287.

<sup>5</sup> Sir George Paish, *Memoir I*, 90. John Maynard Keynes wrote a bestselling book in 1919 entitled, *Economic Consequences of the Peace*, which also condemned the reparations decision.

<sup>6</sup>*Ibid.*, 90-93.

<sup>7</sup> *Ibid.*, 91, 93-94.

millions a year in reparations.”<sup>8</sup> With this firsthand knowledge, Paish worked with charity groups to alleviate the possibility of starvation among the civilian populations that had already suffered so much.

#### Initial Appeals for American Help (1920-1922)

Paish arrived in America in early January 1920 as a representative of two charitable societies concerned with bringing relief to the famine ravaged sections of postwar Europe: the Fight the Famine Council and the Vienna Emergency Fund. His total estimates of how much money Europe needed for rebuilding and funding war debt were unpopular. The London *Times* headline called it his “Vast Scheme,” while American investors thought the amount of credit impossible to provide.<sup>9</sup> The *Times*’ correspondent listed estimated commitments from Americans to be around 600 million pounds between private and government credit, which was only twenty percent of the figure Paish was proposing for them to give. In an interview, Paish made it clear that he was not on official government business, and his estimates were his personal opinion. A representative of the War Finance Corporation suggested listing foreign loans on the New York

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<sup>8</sup> Sir George Paish, *Memoir I*, 94. Having left *The Statist* in 1916, Paish was free to travel and lecture throughout the 1920s, but this schedule also kept him away from home, although all of his sons were away at school or university by this time.

<sup>9</sup> Paish’s total estimate was 7 billion pounds, with America supplying 3 billion, Great Britain one, and France, Italy, China, Japan, and Argentina would contribute the remaining 3 billion. This sum would go towards war debts, rebuilding, food, and raw materials. *The Times*, Monday, Jan 05, 1920; pg. 11; Issue 42299; col C.

English newspapers were openly political, based on the editors and owners. Lord Northcliffe was the owner of the *Times* from 1908 until his death in 1923. George Dawson was the editor from 1912-1919. Northcliffe and Dawson disagreed over politics and policy, so Dawson left in 1919. Henry Steed was the editor from 1919-1923. See: *The History of The Times: The 150<sup>th</sup> Anniversary and Beyond, 1912-1948*, Vol. 4, Part I (London: The Office of *The Times*, 1952), 446-447, 476-478. This change in management might explain the somewhat negative and disapproving tone toward Paish in these articles from 1920. The American press also expressed disapproval of his activities.

Stock Exchange, but the *Times* correspondent thought “gambling” on the Exchange would simply make matters worse.<sup>10</sup> Clearly, no easy solution was available.

On this same trip, Paish met with Carter Glass, the Secretary of the Treasury, to discuss America’s ability to help Europe, but by the end of the week, Congress had decided not to ratify the Versailles Treaty.<sup>11</sup> The Senate thought it impractical for America to submit to the League and simultaneously become responsible for rebuilding Europe on credit. Glass understood that Europe was unable to pay their loans or interest at the time. America was ready to help Europe, but only on America’s terms.<sup>12</sup> Paish’s hopes for the League’s organization of European recovery did not materialize. Europe and America would have to find another way to solve the immediate post-war crisis.

The following week, Paish spoke at the Council of Foreign Relations, only to have his proposals summarily rejected by America’s leading businessmen and bankers. He had reiterated his hopes for loans, though he had reduced his total estimate from 7 billion to 4 billion pounds. Two other speakers at the meeting, Senator Walter Edge and Herbert Houston objected to a government cash loan, but thought goods or private loans were better options. A loan in such a large lump sum was not possible, so Edge suggested exchange of goods instead; Houston insisted on private loans. However, all the other speakers “agreed that some action must be devised in the interests of American foreign trade to extend credits, but they emphasized also the fact that the nations of Europe were showing little or no disposition to decrease their own

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<sup>10</sup> *The Times*, Monday, Jan 05, 1920.

<sup>11</sup> *The Times*, Wednesday, Jan 07, 1920; pg. 11; Issue 42301; col E.

<sup>12</sup> The *Times* correspondent called Paish’s requests for loans “futile and politically irresponsible.” America was already moving back toward isolationism. The article mentioned that Herbert Hoover’s statement of policy was that America “ought to help in the matter of foodstuffs, some agricultural machinery, and credits for their purchase.” This policy was very different and more specific than granting a large loan, as Paish was suggesting. *The Times*, Friday, Jan 09, 1920; pg. 10; Issue 42303; col B.

expenditure after the war.”<sup>13</sup> Additionally, America’s refusal to join the League of Nations made Paish’s international bonds idea a moot point because the plan required American involvement in order to have a solid foundation of credit.

By the end of the month, *The Times* said Paish had stopped hoping for an American loan.<sup>14</sup> Although a loan in a lump sum was not forthcoming, he knew credit of some kind had to continue to support the people of Europe. American bankers and politicians had listened to Paish’s proposals and rejected it, but this scenario was not entirely surprising. Paish was trying to reconcile two opposing groups in order to bring recovery to Europe, but European recovery had to take a less direct path than a large loan— through private loans. America and the League of Nations had to help Europe, but America was not in the League. Thus, America continued to help Europe without the League to organize these financial transfers in any fashion. Private credit superseded government loans, as the American government was already withdrawing from further involvement with European affairs.

Thus, Paish began the 1920s meeting with representatives and bankers from America and the Continent, which he continued to do throughout the decade. After the price of cotton dropped dramatically in 1920-1921, Mr. Boyden, the American Economic Agent in Europe requested Paish to visit him in Paris. There, Paish advised a solution for European nations buying American cotton on credit and repaying in manufactured textile goods.<sup>15</sup> Though unsuccessful in

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<sup>13</sup> *The Times*, Thursday, Jan 15, 1920; pg. 12; Issue 42308; col B. All material preceding the quotation is also from this newspaper article. Other speakers were Otto Kahn and Frank Vanderlip. Herbert Houston was a publisher for Doubleday, and later became a member of the Organization Committee of the International Chamber of Commerce. *New York Times*, May 25, 1920. Walter Edge was the former governor and current senator from New Jersey. Frank Vanderlip was a banker and former Assistant Secretary of the Treasury under McKinley. Otto Kahn was a banker and author.

<sup>14</sup> *The Times*, Monday, Jan 26, 1920; pg. 12; Issue 42317; col B.

<sup>15</sup> Paish’s proposed exchange was: “One third of the cotton was to be made into piecegoods for repayment, and the remaining two thirds into goods for sale in Europe.” Sir George Paish, *Memoir I*, 95-96.

orchestrating loans for general European recovery, Paish did have some success in restoring the flow of trade between Britain and America in the reciprocal relationship between American cotton farmers and British manufacturers.

European economies were slow to recover from the various crises the Great War caused in agriculture and construction. In 1920, Paish contributed “The Danger of World Breakdown,” the first chapter in *The Nations and the League*.<sup>16</sup> In clear language, Paish explained the economic situation of Europe following the war. Countries had lost the production power of millions of men, and invasion had destroyed or rendered unusable large amounts of agricultural and industrial land. Excessive amounts of credit resulted in devalued currencies. Thus, countries were unable to buy as much because their cash was worth less. Additionally, countries were buying goods on credit, resulting in even higher debts and less cash to pay back.

Most European governments continued their war time spending habits on what Paish deemed “unproductive purposes.”<sup>17</sup> Nations had fewer products to sell compared to before the war because of their diminished resources. This situation affected every nation, so all the nations needed to work together in order to reformulate the international economy. Britain was unique in that she retained buying and selling power, but could not get them both to work in the same market. She was unable to sell to America because of protective tariffs and only bought American goods on credit. Britain was unable to export to the continent except by giving credit.<sup>18</sup> This economic cycle was unhealthy, and could not continue indefinitely without doing serious damage.

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<sup>16</sup> *The Nations and The League* was a compilation of essays written by ten experts from seven nations.

<sup>17</sup> Sir George Paish, “The Danger of World Breakdown,” in *The Nations and the League*, (Philadelphia: J. B. Lippincott Company, 1920): 14.

<sup>18</sup> *Ibid.*, 14-16, 18-22. “Great Britain’s manpower was not greatly impaired. Her industrial regions were intact. Her financial structure was sound. . . . The major difficulty of the postwar years lay in the impoverishment of

Paish then suggested international loans with low interest and low risk because all nations would share the burden. While governments determined the best way to create international loans or bonds, Paish said that they needed to guarantee their banks against defaults, thus enabling credit to flow temporarily. However, the banks needed to limit credit, in order to control inflation. The extension of credit should only be for food, rebuilding industries, and “the restoration of Europe’s productive power to a level that would remove the necessity for fresh credit operations.”<sup>19</sup> Once nations could sustain themselves as they had before the war, then the crisis would end. He estimated that Europe could be rebuilt with two billion pounds in “the form of international bonds repayable over a period of 42 years by means of a sinking fund of 1 per cent” and paid in gold to America.<sup>20</sup>

Such a long term solution was sound advice, but it proved to be politically and socially unpopular. In Paish’s plan, this joint credit would be the responsibility of the League of Nations. He understood that nations would hesitate to become liable for the debts of others, but his counterargument was “that the object of credit is to avert a world-wide disaster, which, if it is permitted to occur, will destroy the well-being of every nation.”<sup>21</sup> If creditor nations left the debtor nations financially weak, the markets for their goods would diminish, ultimately damaging them beyond recovery. He estimated that Europe needed a further two billion pounds

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Europe, which before the war was Great Britain’s greatest market. . . . The British discovered within a few months after the signing of the peace treaties that a poverty-stricken continent could not buy.” Frederick C. Dietz, *An Economic History of England*, (New York: Henry Holt and Company, 1942), 543.

<sup>19</sup> Paish, “Danger,” 25-27. Quotation is from 27.

<sup>20</sup> *Ibid.*, 27-28.

<sup>21</sup> *Ibid.*, 29.

for reconstruction, bringing the total to four billion pounds, not including the war debts of three billion pounds owed to America and Great Britain, making the real total seven billion.<sup>22</sup>

Paish closed his chapter in *The Nations and the League* by addressing the issue of reparations owed by Germany and Austria. Why should the rest of Europe expect two nations already exhausted by war to be able to pay for rebuilding the entire continent? “If Europe has to wait until Germany and Austria can pay then its ruin will be complete.”<sup>23</sup> Based on the recent scenario of the Russian Revolution and the precedent that starvation initiated political upheaval, Paish warned that political revolutions were possible if the situation continued. Such political upheavals did not necessarily occur because sufficient credit and trade prevented starvation, but Paish successfully communicated that the situation was serious.<sup>24</sup> War debts might need to be forgiven in order to move forward. He then explained how this affected each nation.<sup>25</sup> If the

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<sup>22</sup> Paish, “Danger,” 29-32. Paish’s earlier interviews reflected a similar figure, indicating that the chapter was written before his meetings in America. Ahamed estimated that in today’s currency, this amount would equal about 1.4 trillion dollars. Ahamed, 505. In 1931, Paish estimated that America had loaned Europe five billion pounds, so his initial estimates in 1920 were a little high. Sir George Paish, “How Tariffs Affect Prosperity,” *Annals of the American Academy of Political and Social Science*, Vol. 156, (Jul., 1931): 91.

Despite voluminous criticism from the papers on both sides of the Atlantic, Paish ultimately proved to be right in advocating the need for American financing for rebuilding Europe. Additionally, his high estimates ended up being closer than anyone wished to admit was possible in 1920. Paish was dismissed as a prophet of doom in the 1920s, but events proved that he was simply a long term thinker, capable of “thinking beyond stage one,” as American economist Thomas Sowell expressed. “Thinking beyond stage one is especially important when considering policies whose consequences unfold over a period of years.” Thomas Sowell, *Applied Economics: Thinking Beyond Stage One* (New York: Basic Books, 2004), 5. Paish’s foresight was informed by his long term thinking of weighing possible consequences and outcomes.

<sup>23</sup> Paish, “Danger,” 33. In this argument, he anticipated the need for the Dawes Commission, which created a plan to spread out Germany’s payments over a longer period of time.

<sup>24</sup> The political revolution that followed the Great War was initially one of social democracy, not communism. The economic turmoil of the 1920s did lead to a different kind of political revolution – not towards the communist left, but to the authoritarian right. Fascism and National Socialism had swept away European liberal democracy by 1938. See: Mark Mazower, *Dark Continent: Europe’s Twentieth Century* (New York: Vintage Books, 1998), 3-5, 9, 20.

<sup>25</sup> Paish, “Danger,” 35-39.

League became responsible for “long term credits,” it would serve its purpose to “promote the collective welfare of all peoples.”<sup>26</sup>

Later in 1920, Paish published a similarly titled article, “The World Breakdown,” in the *Annals of the American Academy of Political and Social Science*. In his estimation, intelligent financial leaders could handle the situation responsibly and avert the danger; alternatively, “persons lacking knowledge of fundamental economic conditions” would make poor decisions which would result in “a very great disaster.”<sup>27</sup> As later events confirmed, the latter group had control. Paish projected a situation where goods waited in storage, separated from consumers that needed them – a fundamental problem with trade that occurred during the Great Depression. According to Paish, production was down, and distribution was inefficient, but good leadership, proper planning, and cooperation could prevent shortages.

Paish opened his article by listing the problems facing the world’s people and economies. First, Europe was facing famine, as Russian wheat had fed most of Europe before the war. During the war, Russia was unable to feed itself sufficiently, resulting in the Revolution.<sup>28</sup> All of Europe was importing more food than ever before because agricultural production was down an

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<sup>26</sup> Paish, “Danger,” 39-40.

<sup>27</sup> Sir George Paish, “The World Breakdown,” *Annals of the American Academy of Political and Social Science*, Vol. 89, Prices (May, 1920): 219. A recent study by Liaquat Ahamed examined the men in charge of four central banks in England, America, France, and Germany during the 1920s. His conclusion is that the Entente governments mishandled the Paris Peace Conference and central bankers without economic understanding had control of the world’s markets, ending in disaster. The decision to return to the gold standard at pre-war levels prevented economic recovery. The directors of the Bank of England for example controlled the world’s credit, but “they did not pretend to know very much about economics, central banking, or monetary policy.” An economist charged them with believing “these were unnecessary.” Ahamed, 80, 501-502. In many ways, this retrospective analysis confirms the course of mishandled policy that Paish anticipated in 1920 as a potential problem ending in crisis.

<sup>28</sup> Paish, “World Breakdown,” 219-220. Ian F. W. Beckett stated that new research indicates that production actually went up, but insufficient transportation was the real problem. Ian F. W. Beckett, *The Great War: 1914-1918*, second edition (New York: Pearson Education Limited, 2007), 512-513.

average of forty percent. Rationing became necessary to make the current supplies last until the next harvest.<sup>29</sup>

The second problem Paish presented was that a shortage in currency and credit was hindering trade. Paish recounted that in the early stages of the Great War, European nations obtaining credit from America was not a problem, because America supplied these goods and credit as a means to pay back money she owed to European creditors. Upon America entering the war, her government took over “supplying the Entente,” which totaled around ten billion American dollars by 1918. Europe found herself indebted to America. After the war, the American government transferred control of credit to private institutions, which caused the problems of 1920, in Paish’s opinion. These banks were willing to supply only short term credit, which the nations of Europe were unable to pay back.<sup>30</sup> The American government then refused to help pay for shipping to export American goods to Europe with government loans. European nations thus had no credit to buy and no ability to transport the goods they needed. The Federal Reserve had already used the legal limit of credit available to them to help Europe, and it still was not enough.<sup>31</sup> Paish argued that this situation had to change, or world trade would halt.

Paish then posited solutions to these challenges. He again suggested that cooperation was in the best interest of every nation. Yet he also pointed out the painful irony that nations which had banded together to save humanity appeared willing to let saved humanity starve now that the war had ended. He again reiterated that the League of Nations was the most logical choice to

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<sup>29</sup> Paish, “World Breakdown,” 220-221.

<sup>30</sup> Short term loans benefited American bankers because higher interest rates on short term loans garnered greater profits and allowed for greater flexibility. *Ibid.*, 223.

<sup>31</sup> The Federal Reserve Act limited the amount the Federal Reserve Bank could loan, because they had to maintain gold and cash reserves. The bank could lend about 600 million pounds, or 3 billion dollars. “The bankers have now created almost the whole of the credit which the new law authorized.” The financing that had worked well during the war had stopped working. *Ibid.*, 223-224.

bring about international cooperation. Compared to what nations had spent each year on the war, the amount needed for recovery was less than half as much and would be spread out over a period of five or ten years. International tax-free bonds could bring the world safely through, in his estimation. The purpose of the League was the preservation of mankind, not only from war, but from the famine and political upheaval that potentially resulted from it.<sup>32</sup> However, American isolationism was against involvement in the League, so Paish's hopes in its authority were misplaced.

In July 1922, Paish published another article in the *Annals of the American Academy of Political and Social Science* entitled, "The Rehabilitation of Europe Dependent upon America." Since 1918, his economic philosophy had continually become more focused on the benefits of international trade and the cooperation it required. Paish explained the economic interdependence brought about by technological advances in modern transportation and banking necessitated the formation of international credit and exchange. The war had made America a "world banker" and "world trader." This was a new role for the United States, and her trading habits needed to change with it. Previously, America was a producer; now she needed to be a buyer in order to maintain the balance of trade. Paish predicted that if America refused her new position and hid in isolationist economics, then her foreign markets would diminish substantially, and poverty would result.<sup>33</sup>

Paish was spelling out that America's economic isolationism had profound consequences on Europe. A food shortage was already a problem, and many faced starvation. Economic law warned that credit did not work in only one direction for long. America selling at high prices

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<sup>32</sup> Paish, "World Breakdown," 225-226. The fear of socialism or communist revolution was common at this time.

<sup>33</sup> George Paish, "The Rehabilitation of Europe Dependent Upon America," *Annals of the American Academy of Political and Social Science*, Vol. 102, (Jul., 1922): 147-149.

without importing European goods in exchange unbalanced the system. According to Paish, “Europe cannot see how it will be possible for her to pay the existing annual sums she owes to America” with America’s policy of barring imports. If America became willing to import European goods as payment instead of cash, Paish argued that “the credit situation will at once improve.”<sup>34</sup> However, such a system needed a long term payment plan. Short term loans were unsustainable with the current faulty system. “Credits to Europe must be financed by investors rather than by bankers, and by securities and good bonds rather than by short bills.”<sup>35</sup> America needed to loan roughly four hundred million pounds to Europe every year for the next five years for economic recovery, with the understanding that payment would take twenty years or more. Thus, since 1920 Paish had reduced his estimates from seven billion to two billion pounds. He then suggested that reduced armaments could act as security for the debt as a good faith gesture demonstrating aversion to another war.

Finally, Paish discussed the issue of reparations. Germany had accepted responsibility, but the amount was “beyond the power of any nation to pay.” Such punitive payments only hindered recovery, in his opinion. The reparations needed to be adjusted to Germany’s ability to pay, and European nations needed credit because reparations payments would not be forthcoming any time soon. This credit would depend on Germany’s future payments. America

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<sup>34</sup> Paish had to explain the problem before he could propose a solution, and American policy was a major part of the problem in his opinion. “Thus one of the first things essential to the rehabilitation of Europe is the abandonment by America of a policy designed to promote exports and to restrict imports, plus the full recognition of the actualities of . . . a situation that demands at least as much willingness to import as to export.” Paish, “Rehabilitation,” 149.

<sup>35</sup> *Ibid.*, 150. As Paish’s earlier writing endeavors made clear, investors were willing to wait for their initial investments to mature over a period of twenty or twenty-five years before the full return of profit came to them. Using short term loans from bankers would bankrupt Europe because of the high interest rates. Treating rebuilding as an investment would yield greater returns, but this plan required a radical change in how lenders approached the problem.

needed to “accept payment for any international credits she may grant in international goods and services,” because Europe had no other means to pay.<sup>36</sup>

In September of 1922, Paish published an article on Britain’s debt to America in the *Saturday Review of Politics, Literature, Science and Art*, a British publication. The Russian Civil War had begun before the end of the Great War and continued until 1923. Thus, the supply problems were very much the same as in 1920 – without Russian food, Europe was dependent on America’s crops. America was not buying European goods in the same proportion that America was selling its own goods to Europe, but rather increasing tariffs to discourage imports. America was still granting credit, for they did not accept other options of payment, such as goods, services, and tourism. The mounting debt needed to be paid, but the balance of trade did not make it appear that such payment would be possible any time soon. Paish thought that the best solution was for America to act like Great Britain had when she was the world banker – by being open to imports.<sup>37</sup>

#### Proposals for Helping the Continent (1922-1925)

Paish had attended the Genoa Conference in the spring of 1922, hoping to see a reduction in the reparations and to promote free trade. There he met a German diplomat, Count Kessler, with whom he discussed the reparations issue. Paish suggested that Germany make a counter offer of what they thought they could pay. Kessler visited London a year later, when they

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<sup>36</sup> Paish, “Rehabilitation,” 150-151.

<sup>37</sup> Paish’s final sentence in this article was a cryptic prediction, “Nevertheless, one is in no doubt that experience will teach the American people where their true interests lie.” Meaning, a Free Trade policy that allowed for a large number of foreign imports was in America’s best interest whether she realized it or not. Internationalism, not isolationism, was the most beneficial policy for all nations. George Paish, “Our Debt to the United States,” *Saturday Review of Politics, Literature, Science and Art*, 134 (1922:Sept. 16): 424-426.

renewed their acquaintance at a dinner with the German ambassador.<sup>38</sup> The first attempt at reduction went unnoticed, but after a few months, Paish met with the ambassador in late 1923 and suggested a new course of action. Germany might ask “an international banker to examine Germany’s capacity to pay reparations on the basis of how much he would be prepared to lend her if there were no reparations.” Two weeks later, the ambassador told him to carry out his suggestion. Eventually, Paish met with J.P. Morgan, Jr. (“Jack”), who was vacationing in Scotland at the time. Morgan agreed to the idea, provided it had government approval from Britain and France. Shortly thereafter, Morgan “left for the United States, where, through his efforts, the Dawes Committee was eventually appointed.”<sup>39</sup>

The world continued to muddle through the 1920s. After the German mark collapsed from hyperinflation, Germany created a new currency, the Rentenmark, which stabilized its economy in 1923. The Dawes Commission met in 1924 to reevaluate the question of reparations; they reduced the amount Germany owed per year, but Germany was still unable to pay. Germany’s payments to France and Britain came from American credit. Starvation was no longer a major threat, but Europe was still dependent on a fantastic amount of American credit.

In the summer of 1925, Paish argued for “Debt Cancellations from an English Viewpoint” for the American audience of the *Annals*. He said that during the war, Britain knew her contribution to the war effort was mainly fiscal. Policy makers knew that they needed to

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<sup>38</sup> Sir George Paish, *Memoir I*, 98-99. Kessler’s published diaries support the broad outline of this account, although the particulars disagree. The fact that Kessler wrote his account as events happened rather than remembering after thirty years had passed could explain the discrepancies. Kessler stated that he met an economic expert at dinner in Genoa, which may have been Paish. His diary also confirms that he was in London the following spring and that Kessler worked in close conjunction with the German ambassador there to try to bring about changes in the reparations. See: Harry Kessler, *In the Twenties: The Diaries of Harry Kessler*, translated by Charles Kessler (New York: Holt, Rinehart, and Winston, 1971), 165, 210-227.

<sup>39</sup> Sir George Paish, *Memoir I*, 100-101. Paish’s account recalled a certain amount of reluctance in interfering in government affairs, as most of these interactions were private visits. He does not take credit for the Dawes Commission, but perhaps for the idea and connecting the necessary people to move it from idea to action. Also, Paish was not the only person who disapproved of the high reparations, so the combined efforts of many went into making the Dawes Commission a reality.

support Russia to win, and they did not expect to see the loaned money returned. Yet, “when Great Britain came to America to borrow, she *did* intend to pay.” However, America should have considered some of the war loans as gifts – their main contribution to the Entente. “Before the war came to an end, I knew that we and our Allies were borrowing more than we could ever pay back. . . . But we had to win the war.”<sup>40</sup> While Paish expected Russia to default on its debts, he did not expect France to do the same.

Paish estimated that France had lost the working power of two million men to death or severe wounds. France could not replace the working power of these men, and had yet to admit how much the war had incapacitated her. From the 1840s to 1913, France had not industrialized like Britain, Germany, and America. France still depended heavily on agriculture and practiced an economic self-sufficiency limited to her empire, a situation that was becoming untenable. The French had fewer means of producing for the market, in addition to a currency that had lost much of its value. They could not pay their debts, interest, sinking fund, and military pensions. As France’s own economic policies were damaging enough, Paish thought it best not to compound her problems. While a radical change in French policy would certainly help, it was unlikely. Paish saw the French as captives to policies formulated out of fear – in economics, foreign politics, and military defense.<sup>41</sup>

Paish suggested that many British leaders agreed that the best policy was for America and Britain “to forgive France her debts.”<sup>42</sup> France was practicing great thrift in order to pay her debts. By alleviating the need to pay off the debt, France would be free to consume at a normal

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<sup>40</sup> George Paish, “Debt Cancellations from an English Viewpoint,” *Annals of the American Academy of Political and Social Science*, Vol. 120, (Jul., 1925): 30.

<sup>41</sup> *Ibid.*, 31-32.

<sup>42</sup> He responded to the counterargument that letting the nations off their debts would hurt their national character by saying, “When people are in real trouble it is not a bad thing to show them a little generosity.” *Ibid.*, 32.

rate again, and consumption would do the international market more good than repayment. The same principle applied to Italy. If Paish controlled British policy, he would forgive the debts of Russia, France, and Italy, but economists were not politicians. He had spent time with the French peasants and recorded their limited consumption habits. Whereas a British lady wore a dress for six months, a French peasant he spoke with had worn the same dress for more than forty years. The frugal French lived on as little as possible, saving to pay off their debts. Paish argued that the world needed the French to join the economic market in purchasing to restore the international economy.<sup>43</sup> Paish applied his overarching argument of international cooperation to the international market in 1925. Creditors in Britain and America needed to release the French from this debtors' prison where all her work went to pay her debts.

Not only did French economic policy need to change, but their policy toward Germany needed to change also. The Dawes Commission had reduced the amount in reparations that Germany was to pay annually, but the Commission said "that if they had fixed the amount of reparations at the figure that the experts believe that Germany could pay, it would be so small no one would accept the decision."<sup>44</sup> Germany might try to pay, but the mark was not in a good position for exchange, so France would not receive the amount she was expecting. Thus, France would be entitled to continue its occupation of the Rhineland, as the Versailles Treaty stipulated.<sup>45</sup> Paish suggested the following line of action: a new commission to recalculate how

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<sup>43</sup> Paish, "Debt Cancellations," 33.

<sup>44</sup> Ibid.

<sup>45</sup> The Versailles Treaty allowed French occupation of portions of the Rhineland for fifteen years. After that time, the inhabitants could decide if they wanted to again become part of Germany. However, after this period ended, the region was to remain a demilitarized zone. The inhabitants voted to become part of Germany in 1935. Then, Hitler violated the Versailles Treaty with his army's occupation of the Rhineland in March 1936.

When coal deliveries from the Ruhr region of the Rhineland were insufficient for reparations payment, France sent in troops in 1921. The people of the region did not work under occupation, which further hindered

much Germany could pay in reparations, France to accept that smaller amount and to leave the Rhineland to avoid another land dispute and potential cause for war, America and Britain to forgive France's debts upon their completing the previous action, and the French Empire to remove tariffs so as to provide a market for the incredible amount of manufactured goods that no one was buying.<sup>46</sup> Debt forgiveness would help reset the market. Combined with tariff removal, Paish hoped that Free Trade would take over, and recovery would come.

Paish's conclusion was unusually pessimistic: "I do not believe the world can recover from the present situation, I do not believe we can get even a reasonable amount of reparations out of Germany, I do not believe that we can restore Europe, I do not believe that the world's income can be increased or the other nations that owe Europe such great sums of money can pay," except by a slow increase in revenue and purchasing power.<sup>47</sup> Debt was preventing that expansion; forgiving the debts would enable the nations to buy. Paish explained that protective tariffs between the nations stifled trade and prevented recovery: "We are all strangling each other."<sup>48</sup> His estimate was that this course of action would not be considered or practicable until time proved the recommendations of the Dawes Commission. In a few years, the problems of reparations, war debts, disarmament, security, and tariff policy would become completely untenable, and perhaps then the nations would be willing to have a conference that would make real changes. Paish realized that policy was not changing, and current trends would eventually result in disaster.

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Germany's economic recovery. The Dawes Plan stipulated that the French soldiers withdraw from the Ruhr region, with which they complied in 1925.

<sup>46</sup> Paish, "Debt Cancellations," 34.

<sup>47</sup> *Ibid.*, 35

<sup>48</sup> *Ibid.* Paish's writings often suggest that policy makers did not understand the ramifications that their policies would have long term, or simply did not understand the seriousness of a given situation.

## Proposal for Free Trade as Crisis Prevention (1925-1927)

Concerned by the state of trade on the continent, Paish and four friends formed the London Free Trade Committee in 1925.<sup>49</sup> The following year, the group wrote a “plea to remove the fiscal barriers” and tariffs that were limiting trade and preventing Germany from paying its reparations. The Committee submitted it to Montagu Norman, Governor of the Bank of England, who made some alterations before signing it. “Next it was signed by Lord Rothschild, the Barings, and the Chairmen of the ‘Big Five’.”<sup>50</sup> Paish went to the Continent to obtain more signatures and to promote Free Trade. He failed to obtain a signature from the Bank of France, but he succeeded in attending a French Free Trade conference in Paris. Paish continued to Switzerland, where he visited the League of Nations and attended another conference that agreed the tariffs needed to come down.<sup>51</sup>

Continuing his journey down into Italy, he met with Mussolini’s adviser Signor Pantaleoni and the British ambassador in order to arrange a meeting with Mussolini himself. He proposed an Italian Free Trade committee to promote tariff removal on the continent. Mussolini promised “to consider the matter,” but was not interested.<sup>52</sup> Mussolini’s Fascism restricted individual liberty, and Mussolini said that “Liberalism is on the point of closing the doors of its

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<sup>49</sup> Sir George Paish, *Memoir I*, 113. The other four members were Lord Sheffield (Arthur Stanley, 5<sup>th</sup> Baron Sheffield), Sir Hugh Bell, Henry Bell, and Sir Charles Mallet. Henry Bell was the director of Lloyds Bank.

<sup>50</sup> *Ibid.*, 114. The “Big Five” were the banking houses with the most assets: Barclays Bank, Lloyds Bank, Midland Bank, National Provincial Bank, and Westminster Bank.

<sup>51</sup> Sir George Paish, *Memoir I*, 113-114, 117.

<sup>52</sup> Paish observed, “There could be no doubt as to the man’s brain. No interpreter was used, for he spoke extremely good English, and I knew that he had learned the language in exactly two years.” *Ibid.*, 118.

deserted temple,” in the early 1930s.<sup>53</sup> Paish’s political and economic philosophy was diametrically opposed to Mussolini’s.

After brief stops in Eastern Europe, Paish went to Germany. Dr. Hjalmar Schacht, head of the Reichsbank, signed the plea in response to a letter from Norman, but Paish went to Berlin to meet with a leader of the Weimar Republic. “I went to see the Reich Chancellor and found that though he personally was in favour of Free Trade, he could do nothing about it.”<sup>54</sup> Paish also stopped in Denmark, Sweden, Norway, and Belgium. Only after every major banker in Europe had signed the Plea did the French agree to join them, with a note of qualification. The Committee then published their manifesto in 1926. “By that time it could really be said to contain the name of every great bank in Europe and of the leading industrialists as well.”<sup>55</sup> Aside from the bankers’ signatures, Paish felt that his trip had born little fruit. Most nations were retreating into self-sufficiency rather than bringing their tariffs down. “It is possible, however, that my visits may have induced Sir Montagu Norman to assist Germany by making loans, and thus alleviated the trade position.”<sup>56</sup> Paish had completed his Free Trade embassy to the Continent. He was always heard, but did not find much acceptance there.

In 1927, Paish published *The Road to Prosperity*, his first book in nearly a decade. It was published in two different editions in England and America. In *The Road to Prosperity*, he

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<sup>53</sup> Mazower, 16.

<sup>54</sup> Paish does not specify who the “Reich Chancellor” was; during the Weimar Republic, the position did not technically exist after 1923. Gustav Stresemann held the position of Reich Chancellor for three months in 1923; he then became foreign minister. Hans Luther was Chancellor of the Weimar Republic in 1925 and 1926. Paish probably met with one of these two men. Both had significant influence in stabilizing the German economy. Sir George Paish, Memoir I, 120-123.

<sup>55</sup> *Ibid.*, 115, 118, 124-125. Paish memoir has one section devoted to gathering signatures for the Plea, and another dedicated to visiting heads of state to promote Free Trade, both occurring around 1926. However, the itineraries he listed are so similar, that it is likely the two sections are in fact different aspects of the same trip around the Continent.

<sup>56</sup> *Ibid.*, 125.

offered much different advice from his calls for loans in 1920. By this time credit was out of control, and the need was for real income. Despite the amount of credit in circulation, “production and markets are still completely disorganised.”<sup>57</sup> However, if credit stopped, purchasing power would suffer to the point where everyone was just getting by, and countries might start asking for payment on debts. That scenario would result in “a world crisis of unprecedented proportions.”<sup>58</sup> Indebtedness had become a universal problem. By giving credit that debtors did not repay, merchants found themselves in debt and their businesses in danger of bankruptcy. The creditors gave money to make money, but had no ability to collect the loans. Government interference only served to make matters worse by increasing the money supply, devaluing their currencies, or protecting home industries with tariffs that stifled international trade. Paish said the solution lay in finding a way to expand buying power and real income.<sup>59</sup>

Paish then summarized how the nations came to this position and why this crisis did not compare to any preceding one. Economically, war served no purpose but to spend much capital without any productive return on the investment; nations spent large sums of money to destroy the economies of their enemies. Production of real income went down during the war, which made adjusting to a productive peace time economy difficult.<sup>60</sup> Reparations prevented some nations from an otherwise normal recovery because goods that were once a source of profit had become payment for a colossal debt. Paish also observed that the creditor nations of Britain and France had become debtors to America, exacerbating the problem.<sup>61</sup> The war had connected the

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<sup>57</sup> Paish, *The Road to Prosperity*, 3-5.

<sup>58</sup> *Ibid.*, 7.

<sup>59</sup> *Ibid.*, 9-11.

<sup>60</sup> *Ibid.*, 13-15.

<sup>61</sup> *Ibid.*, 15-17.

nations' economies in an unprecedented way, so when any one of them was not functioning properly, the rest suffered.

Such an unprecedented crisis required an innovative solution before the potential dangers became actual.<sup>62</sup> If real income did not expand, then “the situation will adjust itself by a process of insolvency and liquidation which will reduce expenditure to the level of the present attenuated income, a process which will involve great suffering to many nations.”<sup>63</sup> The natural defensive tendency of reverting to self-sufficiency was limiting the expansion of real income. Selling on the free market was the best way for income to grow. Paish used Great Britain's colossal growth in the late nineteenth century as an example of the best way for income to grow and how it benefited all nations. The income to pay debts and right the world's economy could only come “by removing every obstacle to production and to international exchange.”<sup>64</sup> The nations had to stop treating the market like a war zone and make it a place for cooperation.

Paish then analyzed the financial situation of the world's leading nations with suggestions as to what each one must do in order to avoid catastrophe. Starting with America, he said that the United States had become the creditor of the world, having loaned more than four billion pounds to the war-torn countries of Europe. America was receiving payment in goods instead of interest; she also possessed more than half the world's gold reserves. If Europe's buying power gave way, American companies would lose their buyers, and a massive economic failure would result.<sup>65</sup> The credit system was becoming increasingly fragile. If Europe stopped buying, then the American market would be glutted with excess goods and raw materials. Europe's debt ought to

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<sup>62</sup> Paish, *Road to Prosperity*, 19.

<sup>63</sup> *Ibid.*, 21.

<sup>64</sup> *Ibid.*, 21-23.

<sup>65</sup> *Ibid.*, 26-27.

preclude further borrowing; America's market for her goods was shrinking. The more America loaned, the worse the result would be.<sup>66</sup>

America had to let other nations exchange goods as a means of payment on the loans and interest. "Unless steps are taken to enable the world to pay America for her products and her interest, there will be a complete collapse both in Europe's buying power and in America's selling power involving a financial crisis in the United States far more severe than any crisis America has yet experienced."<sup>67</sup> The looming depression and unemployment that would plague Europe would reverberate in America if the situation did not change. American prosperity was unsustainable in a world "overwhelmed by debt." American policy was the determining factor, and it was not improving the situation at the time.<sup>68</sup>

In the American edition, George Roberts, former director of the United States Mint, wrote the foreword to *The Road to Prosperity* with his analysis of the situation. In October 1926, the London Free Trade Committee's published their plea with bankers' signatures from sixteen countries.<sup>69</sup> Roberts said that these men do not typically comment on policy matters, so the fact that they joined together for a public declaration was significant.<sup>70</sup> As tariffs were damaging international trade, Roberts suggested leaving the market alone and allowing the system to regulate itself. Governments did not understand business and would only make a mess of trying

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<sup>66</sup> Paish, *Road to Prosperity*, 27-30.

<sup>67</sup> *Ibid.*, 30.

<sup>68</sup> *Ibid.*, 31.

<sup>69</sup> George Roberts, "Foreword," in Sir George Paish, *The Road to Prosperity*, (New York: G.P. Putnam's Sons, 1927), iii-v.

<sup>70</sup> *Ibid.*, iv-vi. As Paish had gathered many of the signatures, his book was mainly an elaboration on the banker's plea.

to regulate international commerce.<sup>71</sup> Paish had pointed out similar economic errors in his other publications.

Roberts and Paish operated on the idea that Free Trade facilitated cooperation, but tariffs and self-sufficiency engendered trade barriers and lowered income. According to Roberts, isolationist policy proceeded from the faulty idea that self-sufficiency brought economic advantage.<sup>72</sup> The plea stated that recovery depended on changed thinking, “trade is not war but a process of exchange,” and the prosperity of the customers was the foundation for the prosperity of the seller.<sup>73</sup> Roberts did not think the situation necessarily as dire as Paish did, but he agreed that the current situation was unsustainable.

Reviewers praised the work for its clarity and overall position on free trade. However, fellow economist R. F. Harrod thought Paish’s prophecies of disaster were a bit much. Although, Harrod concluded that because Paish’s goals of expanding free trade were beneficial, “he may be forgiven his over-confidence in the prophecy of evil.”<sup>74</sup> Economist and Oxford fellow L. L. Price recognized Paish’s reputation as a skilled statistician and praised the book’s value in creating a picture of the world’s economy as a whole. However, Price noted that other economists did not agree with everything in the book. Price said a determining factor in the economic future was how long America would continue to loan without repayment.<sup>75</sup> Economists hoped for a

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<sup>71</sup> The Free Trade Committee’s plea stated, “Too many states, in pursuit of false ideals of national interest, have imperilled their own welfare and lost sight of the common interests of the world, by basing their commercial relations on the economic folly which treats all trading as a form of war.” Roberts, “Foreword,” x-xiv.

<sup>72</sup> *Ibid.*, xvii, xx.

<sup>73</sup> *Ibid.*, xxv.

<sup>74</sup> R. F. Harrod, “Review: [untitled],” *Journal of the Royal Institute of International Affairs*, Vol. 6, No. 5 (Sep., 1927): 328-329.

<sup>75</sup> L.L. Price, “Review: [untitled],” *The Economic Journal*, Vol. 37, No. 148 (Dec., 1927): 648-649. Another review echoed similar sentiments that Paish’s authoritative warning was “probably the gravest yet uttered against the post-war economics of all Western nations. . . . It represents the considered opinion of men who have a right to be

cancellation of debts to help Europe move forward; otherwise, they saw America as Shakespeare's Shylock, determined for the debtor to pay a pound of flesh.

Thus, Paish visited America in 1927 to have his book published there in addition to lecturing on America's role in world finance and trade. As usual, Paish went to Washington shortly after his arrival. "My first visit was to President Coolidge at the White House, and from him I received a very warm welcome and a full understanding of my plan." Secretary of Commerce Herbert Hoover met with Paish immediately afterward. They talked for two hours, and then agreed to spend a weekend together with a mutual friend – Mr. Baron of the *Wall Street Journal*. Paish "thought it was an excellent opportunity for us to discuss the whole question beginning to end. . . . I did everything in my power to induce America – through [Hoover] – to reduce or abolish her tariff. But all to no avail. [Hoover's] final words to me were: 'Don't worry about all these loans being granted.'"<sup>76</sup> Hoover expected a short-term crisis in American business. He was confident that America would continue lending, not realizing how close the crisis was. Paish thought that if Hoover had removed tariff barriers after his election, the crisis might not have happened.<sup>77</sup>

Later in 1927, Paish published an article reviewing the position of "The World Economic Conference." The nations had failed to let their principles match their ideals. They had created a League of Nations, symbolizing their connections and interdependence, but they practiced economically independent policies of self-sufficiency. Political nationalism had resulted in a colossal war; economic nationalism had the potential to result in worldwide economic

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heard if anyone has; and it will be a case of criminal negligence if their solemn warning does not win the attention it deserves." Paish and the men who signed the plea knew time was running out before the system collapsed on itself. See: "The Road to Ruin," *The Saturday Review*, 9 April 1927, 564.

<sup>76</sup> Sir George Paish, *Memoir I*, 115-116.

<sup>77</sup> *Ibid.* Paish's chronology was mistaken, as the tariff increase (Hawley-Smoot Tariff) that he attributed to shortly after Hoover's election did not occur until 1930 – after the stock market crash.

breakdown with worse results. Policy had not caught up with the economic reality. The overextension of credit could only last so long. “It is now of supreme importance for the nations to realise without further delay the gravity of the situation in which they are placing themselves.”<sup>78</sup> More credit was not the answer. Paish saw that the only way out was through allowing goods and services to replace cash as payment. It was the only way for the nations to pay their debts and reparations.<sup>79</sup>

Wall Street crashed in October 1929, following a decline in business and the bursting of the speculation bubble that occurred in late summer.<sup>80</sup> America had loaned money to Germany to pay for rebuilding and reparations. Germany gave that borrowed money to pay reparations to France and Britain. France and Britain then funneled the money back to America. The nations were not creating new income; they were simply passing credit around. Their financial destinies were inextricably connected. American speculation on the stock market had stimulated inflation, and short term loans disappeared. Credit’s circular flow from America to Europe and back stopped, severely diminishing the daily operations of international exchange.

Sir George Paish’s advice changed as the conditions worsened or changed. At first he advised a large floating loan secured by the League of Nations. Americans rejected this proposal as untenable. Loans continued to come in a haphazard manner. After the Dawes Commission issued their report in 1924, his advice altered. France and Germany had restored their infrastructure and industry, but were still unable to pay debts and reparations. He suggested that

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<sup>78</sup> George Paish, “The World Economic Conference,” *The Contemporary Review*, 132 (1927: July/Dec.), 9-10.

<sup>79</sup> *Ibid.*, 10-11. The League of Nations organized the World Economic Conference to analyze the problem and propose solutions. Fifty countries were represented by 157 experts at the conference. The conference diagnosed tariffs as the main problem. Recommendations were not enough, however. The nations had to practice the proposed solutions for anything to happen. *Ibid.*, 12-13

<sup>80</sup> Friedman, 79.

if the creditor nations forgave these debts, the world economy would be back on track, similar to how things were before the war. He could not prevent the Great Depression, but his writings prove that he and other economists recognized the economic system's persisting problems from an early date. The financial futures of all the leading nations were tied together, and credit was out of control. The Great Depression had a devastating psychological effect on businessmen, and fiscal confidence was lost. The crisis had come, yet Paish still believed in his Liberal Free Trade philosophy. The nations must trust each other enough to take down their trade barriers and cancel debts that could not be paid. Such trust turned out to be delicate, and the 1930s did little to build that trust.

## Chapter 3

### The “Unwelcome Truth” of “Unprecedented Danger”<sup>1</sup>: The Great Depression and World War II

From the earliest years of the twentieth century, Paish had visited America with frequency. Many politicians, bankers, and economists received him warmly as he spoke at a variety of conferences and meetings. Yet in 1940, after a relatively short visit, members of Congress were calling for his deportation, and the British embassy was also requesting him to leave the country.<sup>2</sup> Paish’s conversation with isolationist Senator Burton Wheeler on America’s policy towards Hitler had gone poorly, as Wheeler misinterpreted Paish’s request for American help with a call to arms. Whether out of innocence, pride, obstinacy, or righteous indignation, Paish refused to leave, staying until the end of 1942 – long enough to see Japan bring America into the war.<sup>3</sup> Events often had a way of justifying Paish’s economic and political arguments.

#### Proposal for Recovery – A Global Worldview of Economic Policy (1931-1934)

The Depression was not only a staggering economic blow, but a psychological one as well. Businessmen had lost confidence, but Paish continued to promote the Free Trade solution. Apparently *The Road to Prosperity* had reached its desired audience, as Paish recalled that his American publishing company, G. P. Putnam’s Sons, requested another book from him at

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<sup>1</sup> Paish used these phrases in papers he presented to an American organization in 1934 and 1937. Sir George Paish, “Is Nationalism Opposed to Internationalism,” *Annals of the American Academy of Political and Social Science*, Vol. 174, The World Trend toward Nationalism (Jul, 1934): 17; Sir George Paish, “The World Situation and the Way Out,” *Annals of the American Academy of Political and Social Science*, Vol. 192, The United States and World War (Jul., 1937): 67.

<sup>2</sup> “National Affairs: Sir George’s Indiscretion,” *Time*, Monday, Sep. 09, 1940, <http://www.time.com/time/magazine/article/0,9171,764593,00.html> (accessed March 18, 2011).

<sup>3</sup> Sir George Paish, *Memoir II*, 115.

Franklin Delano Roosevelt's recommendation. Paish came to America with his book in April, 1931, which was published shortly thereafter.<sup>4</sup>

In *The Way to Recovery*, Paish reiterated many of the same themes in stating the nature of the economic crisis as he had in the 1920s.<sup>5</sup> Paish again argued for international cooperation in Free Trade. The burden of reparations was detrimental to the German economy, which adversely affected France and England as well. France and England could not pay their war debts to America in gold; debts had to be paid in goods or cancelled. Paish stated that changing attitudes and policies was the remedy to the present crisis. He explained that the need for confidence predicated any recovery, but such a transformation was dependent on altered trade policies and mutual support.<sup>6</sup> A disposition of cooperation based on the assurance of peace would help. The nations' politics did not fit with the economic practices of exchange and credit.<sup>7</sup> The world's governments needed to take "immediate action," yet they had disregarded the advice of the World Economic Conference that the League of Nations organized in 1927.<sup>8</sup>

Paish proposed a new meeting that would include statesmen dedicated to implementing the necessary reforms. Leaders needed to gather and lay aside national self-interest to work for

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<sup>4</sup> Sir George Paish, *Memoir I*, 126. Roosevelt was governor of New York at the time. When Paish visited Roosevelt in Albany, he was probably contemplating his presidential run. Paish was encouraged that Roosevelt was against tariffs. Roosevelt had recently returned from Europe, proclaiming the Hawley-Smoot tariff to be "one of the most important factors in the present world-wide depression." "Republican Chiefs Rush to Defense of the Tariff; Roosevelt Denounces it Defense by Committee," Special to *The New York Times*. *New York Times (1923-Current file)*; May 30, 1931; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*. Paish's second son, Donald, was living near Albany with his wife Hester, and their daughter Ann.

<sup>5</sup> In interviews, Paish stated that the world did not have a sufficient grasp of the situation's gravity. "This is no mere trade depression. It is a catastrophe of the first moment. . . . It is almost impossible to get any one to realize how extraordinarily dangerous the situation is. "Paish Warns World of Trade Collapse," *New York Times (1923-Current file)*; Jun 9, 1931; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*, 4.

<sup>6</sup> Sir George Paish, *The Way to Recovery* (New York: G. P. Putnam's Sons, 1931), 65-71.

<sup>7</sup> *Ibid.*, 73-77.

<sup>8</sup> *Ibid.*, 81, 84. See the end of Chapter II for Paish's review of the 1927 Conference.

the recovery of all.<sup>9</sup> Paish then suggested remedies that such a convention would advise. A change of attitude necessitated the following four international conditions: political stability, an agreement to work for the common welfare, policy adjustment, and international conflict resolution.<sup>10</sup> In Paish's opinion, the League of Nations would become more effective if America and Russia joined.<sup>11</sup> The solutions proposed were the same as Paish had already argued – cancellation of reparations and war debts and the removal of trade barriers would return prosperity to the nations.<sup>12</sup>

Shortly after arriving in America, Paish was again presenting a paper at the annual meeting of the American Academy of Political and Social Science.<sup>13</sup> He focused on America's tariff policy, which he thought was damaging economic recovery. He began by examining the nature of the problem, by stating that all nations were in economic trouble. More than a decade after World War I had ended, and yet "the disorganization of business due to the War" was still a problem; Paish attempted to explain why. The world had applied "the wrong remedies and [made] a very grave situation infinitely graver." All the attempts of the 1920s had only postponed the inevitable. The creditor nations' policies prevented payment of debts, resulting in financial insolvency for the debtors. "The situation we are facing today is world bankruptcy."<sup>14</sup>

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<sup>9</sup> Paish, *Recovery*, 84-87.

<sup>10</sup> *Ibid.*, 88-90.

<sup>11</sup> *Ibid.*, 91.

<sup>12</sup> *Ibid.*, 98.

<sup>13</sup> "Challenge Changes in Nicaragua Policy," Special to The New York Times. *New York Times (1923-Current file)*; Apr 19, 1931; ProQuest Historical Newspapers The New York Times (1851 - 2007), 3.

<sup>14</sup> Sir George Paish, "How Tariffs Affect Prosperity," *Annals of the American Academy of Political and Social Science* Vol. 156, Elements of an American Foreign Policy (Jul., 1931): 84-85.

The amount of credit American banks were able to give had more than tripled since the war began, and the American people were in a serious amount of debt to the banks.<sup>15</sup>

To substantiate his case, Paish asked his audience to remember their history from the previous century. America had grown rapidly in population and prosperity over the past century because European immigrants had settled and built farms across America's vast territory. He argued that transportation and credit had made such growth in labor and production possible. "Make trade possible, and trade will flow. You made it possible by building railways, and also by an act of great wisdom. Under your Constitution you were not allowed to put on tariffs among the various states. . . . Imagine such an arrangement in any other part of the world!" The interstate commerce of the forty-eight states was "the greatest free trade area in the world. This policy . . . caused expansion as no other policy could have."<sup>16</sup>

Paish then moved from America's nineteenth century prosperity to similar progress around the world. Technological advancements in communication and transportation removed the "physical obstacles to trade," and growth went on wonderfully until 1914. Trade bound the nations together in dependence, which was why war, "is not only unnecessary – it is criminal. The nations ought to have known . . . that any injury to any nation would injure the whole."<sup>17</sup> Britain had created a world market of free trade through importing the goods of other nations and by helping other nations establish profitable industries. "Great Britain's action in abolishing tariffs benefited both herself and the rest of the world."<sup>18</sup> Paish continued by giving the statistics of British economic growth for the seventy years preceding the war. Exports went up almost

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<sup>15</sup> Paish, "Tariffs," 86.

<sup>16</sup> Ibid., 87. All quotations in this paragraph were taken from this page.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid., 88.

seven hundred percent, and imports increased almost eight hundred percent. With such examples he connected his argument to a Biblical principle, “Am I not justified in drawing the conclusion that the nation that will give its life shall save it, and the nation that will save its life shall lose it? Great Britain has given her life with great courage” by removing tariffs.<sup>19</sup> According to Paish, Bismarck’s economic policy against Russia and Germany’s desire for self-sufficiency created the Franco-Russian alliance.<sup>20</sup> “In my judgment, the War was the direct result of the fears of the German statesmen for their future . . . Had Germany trusted her future to the world, there never would have been that great war, and Germany today would be infinitely more prosperous than she is.”<sup>21</sup>

After examining the evidence of prosperity from the previous century, the solution to the current world debt and trade imbalance was obvious to Paish. “Trade will expand in proportion as we give facilities for it.” Free Trade always resulted in growth. At this point in the Depression, trade barriers were continuing to go up, which only served to make matters worse. The World Economic Conference of 1927 that Paish had written on before had agreed unanimously “that the tariff policy of the world was the disturbing element; that instead of promoting trade it was reducing it; and that there must be tariff reduction. . . . [T]ariff policy did not lead to prosperity but to great poverty and war.” In another ominous prophecy, he said, “If this tariff situation is not corrected there will be another world war, more deadly and infinitely more dreadful than the last. Europe is being forced into poverty, and will not submit to it easily. . . .The trend of events is

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<sup>19</sup> Paish, “Tariffs,” 89.

<sup>20</sup> Paish explained that Bismarck wanted Germany to be self-sufficient for food, so he raised tariffs against Russian imports. Russia responded with duties of her own against German goods. Germany’s mentality came from a desire of preparedness – to be independent of foreign food in war time. Bismarck’s revenge was to shut off German credit to Russia. France offered Russia access to their financial markets in exchange for a military alliance. *Ibid.*

<sup>21</sup> *Ibid.*

leading not only to financial trouble but also to political trouble.”<sup>22</sup> Paish quoted a late friend of his, Dr. Walter Leaf, Chairman of the Westminster Bank, who said that the success of bad trade policy meant “the suicide of Europe.”<sup>23</sup>

Paish pled with his American audience: “The world needs your produce and wants to buy from you; it is in debt to you and wants to pay you. You raise your tariff and prevent the world from buying your products and from paying its debts to you, thus driving it into bankruptcy.”<sup>24</sup> Removing trade barriers and tariffs would allow the market to stabilize and goods to move more easily. “The time has come when this policy is essential. We have no option; the pressure of circumstances is so powerful that we must adopt it or perish.”<sup>25</sup> Hope was still present, and prosperity was possible if the nations freed trade from its prison of tariffs.

Paish wanted the nations to lay down their arms and create their economic policies on the assumption of peace. The Great War was not the war to end all others; therefore, such a policy was perhaps naively idealistic. One newspaper article argued, “Sir George Paish indulges in a beautiful dream when he advocates the universal removal of tariffs and the cancellation of all debts. It is a dream that can not [sic] become a reality.”<sup>26</sup> Paish was an idealist in many ways, but he was not alone in his hope for peace. After the unparalleled suffering caused by the Great War, most Europeans did not think another major continental conflict was possible.

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<sup>22</sup> Paish, “Tariffs,” 90. Quotations to this point in the paragraph were all taken from this page.

<sup>23</sup> *Ibid.*, 91.

<sup>24</sup> *Ibid.* The Smoot-Hawley Tariff of 1930 levied a duty between forty and fifty percent on imports. Galbraith, 158. Economists had advised Hoover against passing the bill.

<sup>25</sup> *Ibid.*, 91.

<sup>26</sup> “Sir George Paish’s Dream,” *Washington Post (1923-1954)*; Apr 27, 1927; ProQuest Historical Newspapers The Washington Post (1877 - 1994), 6. In 1931, Paish had no way of knowing Hitler’s later goals of German expansion. The nations did limit their munitions and navies, but this allowed Hitler to build up his military and swiftly make his early conquests. Pacifism did not work because one nation was always willing to fight and take advantage of the others.

Roosevelt's election in 1932 encouraged Paish that Free Trade might return to America. At Roosevelt's recommendation, Paish came to America in 1934 to speak at the Council of the Churches in San Francisco in addition to engagements in the Midwest.<sup>27</sup> Roosevelt's Secretary of Agriculture, Henry Wallace, was actively promoting Free Trade. Paish expressed his approval upon meeting Wallace in Washington. Wallace "laughed my words away by [saying]: - 'Of course you are pleased. [The speeches] are your own!'"<sup>28</sup>

During Paish's visit, he gave an impromptu address to the Academy of Political Science entitled "Commercial Policy and the Gold Standard."<sup>29</sup> While Paish had favored the creation of the Federal Reserve Bank, his address expressed serious disapprobation toward the policies of the American financial system regarding how the gold standard worked. America had the problem backwards. Gold was a means, not an end. "Gold is the servant of trade and trade is the essential factor. If you trade, and pursue the policy that will promote trade, gold will take care of itself."<sup>30</sup> Paish then explained how Britain had financed much of the world's trade and investments – about two billion pounds or ten billion dollars – on half of one percent of that

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<sup>27</sup> Sir George Paish, *Memoir I*, 127. Paish arrived in early March. "Paish Would Make NRA Permanent," *New York Times (1923-Current file)*; Mar 7, 1934; ProQuest Historical Newspapers The New York Times (1851 - 2007), 6. The article title was somewhat misleading; Paish praised the way American banks had recovered over the previous year and the steps Roosevelt had taken. However, Paish said that these measures were temporary, and a more permanent solution was needed. The article had no quotation from Paish about the National Recovery Administration. As his experience with the British Government during the Great War indicated, Paish favored reform in general and temporary government intervention for damage control during a crisis; however, he had stated his opinions on government meddling in economics elsewhere.

<sup>28</sup> Sir George Paish, *Memoir I*, 127-129.

<sup>29</sup> The semi-annual forum met to discuss the New Deal, gold, trade, and other economic questions. Other speakers included professors of economics from Columbia, Harvard, Yale, Cornell, and Brown. "Leaders to Weight New Deal Policies," *New York Times (1923-Current file)*; Mar 18, 1934; ProQuest Historical Newspapers The New York Times (1851 - 2007), N2. This address was also broadcast over radio between 3 and 4 PM on March 21, 1934. "Today on the Radio," *New York Times (1923-Current file)*; Mar 21, 1934; ProQuest Historical Newspapers The New York Times (1851 - 2007), 30

<sup>30</sup> Sir George Paish, "Commercial Policy and the Gold Standard," *Proceedings of the Academy of Political Science*, Vol. 16, No. 1 Money and Credit in the Recovery Program (Apr., 1934): 83.

figure stockpiled in gold – ten million pounds.<sup>31</sup> Gold was a commodity to be sold and exchanged like any other; more than the amount he mentioned came in and out of the country, but the permanent reserve was not very large.

America and France had created problems by stockpiling gold – America deprived the world of its assets, while France purposely devalued its currency. Both of these problems represented a fundamental misunderstanding, according to Paish: “With the gold standard in operation as it should be, gold isn’t intended to be retained by any one country.”<sup>32</sup> Gold retention prevented proper finance and trade, because gold needed to be used, not hoarded. America had made this fatal misstep when given the majority of the world’s gold reserves as a result of World War I. By refusing goods and services as payment, America had “bankrupted the world.” He urged them to follow Britain’s example from history: maintain the gold standard “by holding only a relatively small quantity of gold at the world center.”<sup>33</sup> France had devalued their currency and stockpiled gold. When gold failed to circulate, trade and investment faced difficulty. These policies left nations in debt because they had no gold left to pay with, and goods and services were not alternative forms of payment. “France and America . . . must realize that the gold standard, or any international currency system, depends upon the interchange of goods and services. Those are the fundamental things, not gold.”<sup>34</sup>

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<sup>31</sup> Paish, “Commercial Policy,” 84. Ten million out of two billion is equal to one over two hundred. One two-hundredth is equal to 0.5%.

<sup>32</sup> *Ibid.*, 85.

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*, 87.

The following month, Paish gave another more formal address on nationalism and internationalism to the same society's annual meeting in Philadelphia.<sup>35</sup> In it, he presented a global worldview based on business principles, morality, and political necessity. Mutual suspicion and xenophobia were leading the nations of the world into isolationism, which Paish found untenable for sustaining a global economic market.<sup>36</sup> Seeking prosperity for the whole world would result in economic cooperation rather than isolationist protection. Protective tariffs were stifling trade, prolonging the Depression.<sup>37</sup>

Paish built his case for an internationalist outlook on the premise that nationalism and internationalism were complementary, rather than opposing, views. The duties of responsible citizenship was not limited to their nation, but included the world as well. The economic growth of America had brought prosperity to other nations. Modern transportation and travel had connected the economic destinies of the nations.<sup>38</sup>

His first argument was that of political necessity. Citizens of the world sent representatives to the League of Nations, a "world parliament." But America and Russia had not joined this body, weakening its influence. He knew America was not interested, but "the situation is so grave that the truth is essential whether it is welcome or unwelcome. The very fact that America is out of the League is helping to promote world disorder, bringing visibly nearer the danger of another war."<sup>39</sup> He countered the argument that America's place in the League would obligate her to make war with the assertion that America's presence in the League would

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<sup>35</sup> "Economists Offer World's Way Out," Special to THE NEW YORK TIMES. *New York Times (1923-Current file)*; Apr 14, 1934; ProQuest Historical Newspapers The New York Times (1851 - 2007), 11.

<sup>36</sup> Sir George Paish, "Is Nationalism Opposed to Internationalism," 15.

<sup>37</sup> *Ibid.*, 18-20.

<sup>38</sup> *Ibid.*, 15-16.

<sup>39</sup> *Ibid.*, 17.

prevent that war from happening. Strong central governments maintain peace within a country, and theoretically, in the world as well. Without America, another war was all but inevitable, in Paish's opinion. He explained they did not understand the toll the last war had exacted on the civilian populations of Europe. No one in Europe wanted to live through that again.

“Nevertheless another war is approaching. Mr. Hitler is training the German people for war; the Japanese are assembling great war forces in Manchuria. Why? Because the League is not strong enough to secure justice.”<sup>40</sup>

Economic necessity formed the core of his second argument. America's unemployment rate was partially linked to the decline in international trade. As much as they might not wish to admit it, the world market had driven their prosperity. Cooperation was not “merely altruism, it is realism” and good business sense.<sup>41</sup> America's productive capacity was greater than the home market could consume; in five years, their income had dropped by half from a reduction in foreign trade. Debts could not be repaid without an expansion in income; government redistribution of income was a quick fix that treated a symptom without solving the real problem. Even Great Britain had fallen into the protectionist mindset of Empire preference because of the high tariff walls elsewhere. Britain could not sell on the world market, and thus could not buy from America either.<sup>42</sup> Britain's trade balance with America also affected France and Belgium adversely.

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<sup>40</sup> Paish, “Nationalism,” 17. Adolph Hitler became chancellor of Germany in January 1933. He published *Mein Kampf* in 1925.

<sup>41</sup> *Ibid.*, 18. As Paish's earlier books and articles attest, he understood the idea of a shrinking planet based on global economic interaction and interdependency. After World War II, globalization expanded even more. See: Alex MacGillivray, *A Brief History of Globalization: The Untold Story of Our Incredible Shrinking Planet* (New York: Carroll & Graf, 2006).

<sup>42</sup> Paish explained the effects of the Hawley-Smoot Tariff. America bought 29 “million pounds' worth of British goods” in 1929, and Britain bought 150 “million pounds' worth of American products. You put up your tariffs to keep out the twenty-nine millions. You have succeeded. In 1932, you bought from us only ten million

Paish concluded with a short moral argument based on the golden rule and Jesus' teaching on futile self-preservation.

All the forces of circumstances, our minds, even our faith, tell us that a nationalistic policy is the wrong policy. We know that we are breaking that divine law which commands us to do unto others as we would they should do unto us. And we know that we have forgotten that "He that will save his life shall lose it, and he that will give his life for the cause of righteousness shall save it." The nations are trying to save their lives and are losing them. Let us . . . be willing to give our lives for what is right, and then our nations will be saved.<sup>43</sup>

A nation of Christians was responsible to do all they could to remedy matters.<sup>44</sup> Wrong thinking was perpetuating unwise actions. Paish warned that only by willingly taking her place as a world political and economic leader could America help turn the tide of disaster. Europe was not strong enough to accomplish it without her help. Paish was trying to coax them out of the mindset of the Monroe Doctrine and bring them into the world arena.

#### Proposal for Recovery – Strengthening the League of Nations (1934-1936)

He returned to England, and was shortly thereafter having lunch with the Russian ambassador, Ivan Maisky.<sup>45</sup> The ambassador was trying to assess Britain's diplomatic position should Germany and Japan attack his country. Paish affirmed Britain's neutrality and freedom to

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pounds' worth of our goods. . . . Consequently we were compelled to reduce our purchases from you, and we reduced them from a hundred and fifty million pounds, in 1930, to fifty million pounds in 1933. How did it benefit your nation to exclude fifteen or eighteen million pounds' worth of British goods bringing the amount down practically to zero, and compelling us to reduce our purchases from you by one hundred million pounds?" Paish, "Nationalism," 20.

<sup>43</sup>Ibid., 21. See Matt. 16:25, Mark 8: 35, Luke 6:31, 9:24. Paish had used some Biblical allusions in some of his other writings, but this kind of extensive moral appeal was unusual. The fact that his "dear wife Emily" had died sometime in 1933 may have influenced a more spiritual view of matters at this point in 1934. Date for Emily's death from Roger Middleton, "Paish, Sir George (1867-1957)." Quotation from George Paish, Memoir I, 3.

<sup>44</sup> Ibid., 15.

<sup>45</sup> Sir George Paish, Memoir I, 130. Paish had gone to a luncheon with Maisky in 1933; the paper listed Paish as one of ten guests in attendance. *The Times*, Wednesday, Mar 01, 1933; pg. 17; Issue 46381; col E. Additionally, Paish was involved with the League of Nations Union. *The Times*, Thursday, Dec 07, 1933; pg. 17; Issue 46621; col E.

sell supplies to either side, remembering that Britain had aided Japan in the Russo-Japanese War in 1904. He countered this possibility with the suggestion that Russia joined the League of Nations, as ““Great Britain could not supply munitions to any agressor [sic] state.””<sup>46</sup> Paish then went to Professor Gilbert Murray, a prominent Liberal intellectual and author, at the League of Nations Union. Murray wrote to a French minister to facilitate Russia’s entrance into the League.<sup>47</sup>

In 1935, Mussolini invaded Abyssinia – modern day Ethiopia. Ever watchful of world affairs, Paish wrote a series of letters to the editor of the *Times*. His first letter gave an economic explanation for Italy’s policy – they needed a market for their goods and a source of raw materials. However, since Italy was in financial trouble already, taking on further trouble through invading another country would not help their plight. He suggested the leading world powers provide Italy with alternatives – for Italy to use a different colony already under their control or for the nations to work together for a stronger currency and lower tariffs to expand the market. As ever, Paish wanted the policy makers to try to fix the actual problem rather than merely looking at the symptoms.<sup>48</sup>

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<sup>46</sup> Sir George Paish, Memoir I, 130-131.

<sup>47</sup> Ibid., 131-132. Hitler had formed a non-aggression pact with Poland in January 1934, so Stalin needed a safeguard against Hitler. The Soviet Union entered the League of Nations that September, and later approved a military treaty with France in May 1935.

<sup>48</sup> Sir George Paish, “To the Editor of the Times,” *The Times*, Saturday, Aug 31, 1935; pg. 11; Issue 47157; col F. Ethiopia had joined the League of Nations in 1923. In 1935, Anthony Eden was Britain’s minister for the League of Nations issues; he tried unsuccessfully to deter Mussolini from Ethiopia in June. Italy invaded Ethiopia in October. The League then imposed economic sanctions against Italy, but this did not include a ban on oil imports. Despite the outrage of public opinion, Britain refused to take action without help from France. Since France hoped Italy would be an ally against Hitler, she was unwilling to risk the alienation with sterner sanctions. Stanley Baldwin took advantage of public opinion to hold an election in November 1935, resulting in a large win for the Conservatives. The following month, the British foreign secretary Sir Samuel Hoare and Pierre Laval, the French premier, gave most of Ethiopia over to Italy. Hoare subsequently lost his post to Eden. American historian Goldwin Smith’s analysis stated, “Italy had defied the League; and the League, no more courageous than its individual members, had not taken up the challenge. Diplomacy is the art of the possible. When there was no wide support for collective security measures then collective security could not be.” Goldwin Smith, *A History of England*, Fourth Edition (New York: Charles Scribner’s Sons, 1974), 762.

Paish's next letter was a collaborative effort of the Abyssinia Association, of which he was chairman.<sup>49</sup> The Ethiopian Emperor had fled the country in hopes of securing diplomatic support. The Association declared, "To allow Italy to annex Abyssinia would be not merely to destroy all confidence in international law, but to create many grave problems."<sup>50</sup> Stricter sanctions against Italy might force them to reconsider. Public opinion in Britain and France objected to Mussolini's actions, but the governments did not do anything. The Association hoped that "the aggressor may be prevented from reaping the fruits of his aggression, while the victim . . . may be restored and enjoy effective protection in future."<sup>51</sup>

The following month, Paish sent another letter on the Ethiopian situation. If the government failed to understand the reasons behind Italy's invasion, then "a still more dangerous situation than the one we are now facing will inevitably arise."<sup>52</sup> Paish thought that economic distress propelled the invasion, but Mussolini did not realize that his conquest was a drain on resources. Additionally, the investment required to reap economic rewards was a process that would take many years. Italy's blatant disregard for the League of Nations and the Kellogg Pact "has created grave anxiety lest collective engagements for the maintenance of peace should prove illusory. And this anxiety affects not only the political but the economic outlook inasmuch

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<sup>49</sup> *The Times*, Monday, May 11, 1936; pg. 8; Issue 47371; col C. Other signatories included Samuel Vyvyan Adams, Conservative MP, Philip Noel Baker a professor and Labor MP, G.T. Garratt a journalist and author, Margery Perham an Oxford professor and author, Eleanor Rathbone an independent MP, and Norman Angell, author of *The Great Illusion*. While Britain and France floundered in indecision regarding Italy, Hitler moved into the Rhineland in March 1936.

<sup>50</sup> *The Times*, Monday, May 11, 1936. Appeasement in this situation arguably set a precedent that repeated itself in Germany's occupation of the Rhineland (March 1936), the Spanish Civil War (1936-1939), and Germany's annexation of Austria (March 1938) and the Sudetenland (September 1938). Neville Chamberlain conceded the Sudetenland to Hitler at the Munich Conference in 1938.

<sup>51</sup> *Ibid.*

<sup>52</sup> Sir George Paish, "Aggression and Economics," *The Times*, Monday, Jun 15, 1936; pg. 13; Issue 47401; col F.

as economic restoration waits upon political stability.”<sup>53</sup> Letting Italy get away with its unlawful invasion would only make world affairs worse, further hindering economic recovery. Paish reiterated that non-intervention would merely solidify the trend toward isolationism, which would have the same result of stagnant foreign trade. In keeping with his global outlook, Paish saw that the fates of other nations were at stake in this question, not just those of Italy and Ethiopia.<sup>54</sup>

#### Failure of Recovery – Omens of War (1936-1939)

Late in 1936, Paish returned to America with a new book for publication, *The Way Out*.<sup>55</sup> He had a lecture similarly titled “The World Situation and the Way Out,” which he presented before the annual meeting of the American Academy of Political and Social Science.<sup>56</sup> They published the address in the summer of 1937. He began without any equivocation, “The world situation is one of unprecedented danger.”<sup>57</sup> While he had said similar things regarding economic difficulties, he reinforced this statement with a panorama of world conflict: German conscription and occupation of the Rhineland, Italy’s invasion of Abyssinia, the Spanish Civil War supplied

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<sup>53</sup> Sir George Paish, “Aggression and Economics.”

<sup>54</sup> Ibid. The final letters of the Abyssinia Association asked for public support for the exiled Emperor and monetary donations for Ethiopian refugees in Europe and Palestine. *The Times*, Saturday, Jun 27, 1936; pg. 10; Issue 47412; col C. *The Times*, Friday, Mar 31, 1939; pg. 10; Issue 48268; col B.

<sup>55</sup> “Ocean Travelers,” *New York Times (1923-Current file)*; Dec 23, 1936; ProQuest Historical Newspapers The New York Times (1851 - 2007), 18. As usual, Paish made his customary stops at the White House and the State Department, meeting with Roosevelt and Secretary of State Cordell Hull, respectively. “Economist Sees Peace Gained by Free Trade,” *The Washington Post (1923-1954)*; Jan 24, 1937; ProQuest Historical Newspapers The Washington Post (1877 - 1994), 15.

<sup>56</sup> Lawrence E. Davies, “Benès Says No War Is Likely For Year,” Special to THE NEW YORK TIMES. *New York Times (1923-Current file)*; Apr 17, 1937; ProQuest Historical Newspapers The New York Times (1851 - 2007), 14.

<sup>57</sup> Sir George Paish, “The World Situation and the Way Out,” 67.

with weapons by Germany and Italy, and the Japanese invasion of Manchuria and China.<sup>58</sup> In a sense, the world was already at war. The financial situation was not much better. The governments of leading nations were going into debt in order to employ their people and give them purchasing power. Such recovery measures were artificial, but necessary to prevent starvation and its offspring, political revolution. Another war was all but inevitable, and Paish feared it would be more devastating than the previous one.<sup>59</sup>

The way out of this dire world circumstance was a broader outlook. Rather than seeking self-interest, individuals and nations needed to understand that “no man is an island.”<sup>60</sup> Prosperity would return “by promoting the common welfare instead of seeking our own self-interest at the expense of others!”<sup>61</sup> Recognition of interdependence and a return to Free Trade would bring more nations into cooperation than enmity. He pointed to the abundance of natural resources and modern inventions that had brought the world together – the two should have resulted in prosperity for all. If only the nations could confer together in the interest of preservation, then maybe they could avoid another war.<sup>62</sup> However, this suggestion of world peace seemed out of place when Germany, Italy, and Japan were attempting to advance their economies through invading neighboring territory.

Paish then directed his attention to China as a recent case to illustrate his point; this was not mere economics or politics – it was moral. Chinese women were abandoning their children because of the famine, “And no one is doing anything about it. Christian people here in

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<sup>58</sup> Paish, “World Situation,” 67.

<sup>59</sup> *Ibid.*, 67-68.

<sup>60</sup> *Ibid.* 68. Quotation from John Donne Meditation XVII. The sentiment in Paish’s worldview is similar, though he did not quote Donne.

<sup>61</sup> *Ibid.*

<sup>62</sup> *Ibid.*, 69-71.

America” and in England were “just answering that such distress is inevitable.”<sup>63</sup> China would not have been in such distress if the Western world had sought to expand trade relations there – to invest in railways to open such a large country. To objections that China was not their responsibility, Paish countered that American missions work in China dismantled any such claim. America accepted spiritual responsibility, but not physical.

They are the children of the Great Father, the same as you are, and how dare we meet him when our day comes if we have neglected those people- have allowed those women to throw their babies out because they have no food? Do you realize that this world is God’s world, that he has made it, that he has given us wealth beyond anything we could conceive? The Chinese are in need of it. The children are dying of starvation. My God! When I think of it, I am appalled.<sup>64</sup>

In a tone of heart break and outrage, Paish continued his address. Unimportant domestic affairs preoccupied the nations while the world slipped into devastation. Paish’s remedy required repentance followed by a commitment to changed thinking and appropriate accompanying action.<sup>65</sup>

In Paish’s opinion, the economic situation was behind Germany’s militarism. They could not sell abroad, so they could not purchase. Therefore, they sought new territory for raw materials and markets. The German people were culpable for electing Hitler, “a man of no understanding, who thinks he can get anything he wants by force and by force alone . . . Let him

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<sup>63</sup> Paish, “World Situation,” 71.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid., 72. “I can see the road, the next step and the next step. The world is drifting to ruin because we will not accept our responsibilities and because we have not the right outlook. I have said this in England and I say it here in America. What we need to do is to go down on our knees and beg God to forgive us for our wickedness. It is wicked beyond measure to tolerate these things, to allow war to come and you in America and we in England to sit still and let the tide pass.” Paish had used a moral argument when closing an address in 1934. This change may have simply been a product of age and experience, as Paish was nearing the age of seventy at the time. Another possibility was that times of danger facilitated this spiritual response. Paish had seen the war zone in France and the toll the war took on the civilians in Germany in 1918-1919. Perhaps repentance and a new direction might avert another war before it was too late.

also repent.”<sup>66</sup> The agreement between Japan and Germany was dangerous, probably leading to an invasion of Russia. France’s alliance with Russia provided the necessity of a two front war, but Germany facilitated the Spanish Civil War to give France something to worry about. World war was coming.<sup>67</sup> Cooperation was essential, but Paish did not expect his audience to take his word for it. He merely hoped to get them thinking.<sup>68</sup>

The introduction to *The Way Out* repeated the first half of his address to the Academy. Paish’s remedies revolved around the widespread failure to appreciate the gravity of the world’s problems. He recounted the effects of World War I, the expansion of American credit, the problem of tariffs, and the abandonment of the gold standard.<sup>69</sup> Policy makers had failed to rectify the world situation because they had treated the problem with temporary solutions – focusing on the symptoms rather than the causes. The worldwide problem required a multi-national solution.<sup>70</sup>

So far, the nations’ various attempts at recovery had failed. The war that Germany and Italy seemed to be seeking would only make matters worse. Neither was isolationism a solution, as America and Britain should have known; the problem of periodic crop failure that every nation suffered was enough evidence to rule isolationism a dangerous prospect. An isolated

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<sup>66</sup> Paish, “World Situation,” 72.

<sup>67</sup> Ibid. What Paish did not foresee was that war brought the economic cooperation among the Allies which he had been advocating all along.

<sup>68</sup> After speaking for years on solutions with almost no results, his attitude is not surprising. “I do not expect you to accept my statements. I beg you to think over them. . . to consider them. . . to make your own investigations and see whether what I have spoken is true. And if it is, then in God’s name, wake up and understand, get busy, lead the world from this great distress and danger into peace, affluence, and friendship.” Ibid.

<sup>69</sup> Sir George Paish, *The Way Out: The Political and Economic Problems That Constitute the World Danger* (New York: G. P. Putnam’s Sons, 1937), 6-7.

<sup>70</sup> Ibid., 8-11.

country with a bad farming season could starve.<sup>71</sup> Political revolution or trusting a “superman” dictator was foolish as well.<sup>72</sup>

According to Paish, the real problem was mental as much as material. Fear was crippling the nations; retreating into isolationism was unwise policy. “Excessive fear causes nations to suffer from the madness of delusion just as it causes individuals to go crazy, and to act in a manner that tends to create the conditions of which they are afraid,” in a self-fulfilling prophecy of despair.<sup>73</sup> The deep fears that World War I occasioned led to policies enacted out of fear that only compounded the problem. This was the reason behind the harsh penalties against Germany at Versailles, high tariffs, and misled banking and government policy. A new outlook was the first step: “Courage and confidence must be the mental qualities of governments and of peoples – not fear and distrust if the difficulties confronting all nations are to be overcome.”<sup>74</sup>

This was not the failure of capitalism, as many claimed. Rather, Paish pointed out that capitalism worked just fine for decades until World War I interfered. The problem lay more in government economic policy following the strain that any such conflict would have caused. Twenty years of bad policy had changed the system, and not for the better. “The system now in operation is not the capitalist system, it is a system of government control of the business machine in all countries, a control for which governments have had no training and of which

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<sup>71</sup> Paish, *Way Out*, 12-15. The droughts afflicting the Great Plains in the 1930s was a prominent recent example.

<sup>72</sup> *Ibid.* 16-17. Dictators “have no fundamental knowledge, either of economic law or of the kind of world in which they are living, who imagine that improvisation can take the place of knowledge and sound judgment, and who are themselves governed by prejudices and not by reason and understanding.” The solution was “leadership, not dictatorship.” *Ibid.* ,18.

<sup>73</sup> *Ibid.*, 19. “The fear of another war caused the Allied Nations to impose impossible terms upon Germany in 1919 in the belief that by so doing the latter would never again be in a position to make another war. By fearing a new war the nations create the danger of a new war.”

<sup>74</sup> *Ibid.*, 21.

they have little or no understanding.”<sup>75</sup> Political expediency often trumped concern for the general welfare.

The rest of the book dealt with international affairs, the gold standard, currency devaluation, credit, agriculture, and colonialism. Paish then gave suggestions to each of the leading nations on what they needed to do to help the rest of the world return to economic stability. The international outlook and a new mindset of cooperation would go a long way. The current crisis required not “physical courage, which the peoples possess in super-abundance, but moral courage – the courage to stand for what is just and generous and for the common good.”<sup>76</sup> Just as men asked for the help of the “All Powerful” in times of danger, so should the people of the world “pray to the ‘All Wise’ for the wisdom and understanding they need to overcome” the dangerous problems the world was facing.<sup>77</sup> Humility and love would yield far better results than the pride, fear, and contention that had thus far characterized international policy.

In May 1939, Paish visited Japan at the request of George Lloyd, one of the senior editors of *The Statist*. His father, Thomas Lloyd, had held the same position when Paish worked there. Aside from sightseeing and observing factory conditions, Paish lectured university students and the nation’s leading businessmen on Free Trade. The businessmen also received a printed

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<sup>75</sup> Paish, *Way Out*, 22-23. The rest of Paish’s thought on government control: “Moreover their mental equipment is totally unsuited for the constructive effort needed to cause the machine to operate freely and effectively. Their amateur efforts to control cause them to favor measures that tend to bring the machine to a standstill and discourage measures that would enable it to work successfully. Further, there must always exist in such a system the danger of governments endeavoring to secure immediate political success regardless of the consequences which may result from unsound policies and unwise action.” Friedrich Hayek argued against state control of economic affairs in *The Road to Serfdom*, originally published in 1944. Most of the book is a study in contrasting the free market’s competition with centralized planning and the latter’s effect on individual liberty. He argued that centralized planning leads to totalitarianism. See Friedrich Hayek, *The Road to Serfdom*, Fiftieth Anniversary Edition (Chicago: University of Chicago Press, 1994).

<sup>76</sup> *Ibid.*, 233.

<sup>77</sup> *Ibid.*, 233.

translation, which was the work of a respected Japanese Member of Parliament. He had wished for the opportunity to speak to a military assembly, but this did not materialize.<sup>78</sup>

## World War II (1939-1945)

A few months later, Germany overran Poland, and Britain was again at war. The Netherlands and Belgium surrendered in late May, followed by France in June. Hitler turned his attention toward Britain, and Paish turned his hopes toward America, scheduling a lecture trip as an excuse to go to Canada and America, securing passage on a boat which left in July. A few weeks before his departure, he received a letter from Hugh Bullock, the heir to a prominent Wall Street banking firm named for his father Calvin Bullock. Hugh gave Paish an idea of what he could expect by way of American political opinion. Roosevelt and the Democrats would probably be more sympathetic than the isolationist Republicans. Bullock said, "I earnestly believe we are turning over to your people virtually everything by way of materials that is available. . . .Nevertheless, I believe new products such as planes, etc., will reach you in ever greater number."<sup>79</sup> Paish apparently deemed the letter important enough to bring it with him to America.

He got a referral to see Roosevelt from Dr. Nicholas Murray Butler, president of Columbia University.<sup>80</sup> Roosevelt agreed to meet with Paish in August 1940.<sup>81</sup> "Mr. Roosevelt's

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<sup>78</sup> Sir George Paish, *Memoir I*, 133-137. After the Meiji Restoration in 1867, Japan was in many ways a Free Trade country. See Friedman, 57-64.

<sup>79</sup> Hugh Bullock to Sir George Paish, June 27, 1940. Papers and Correspondence of Sir George Paish from his travels in America. Private Collection.

<sup>80</sup> Butler wrote a two volume autobiography that was published in 1940. See: Nicholas Murray Butler, *Across the Busy Years* (New York: Charles Scribner's Sons, 1940).

<sup>81</sup> "British Need U.S. Aid, President Told," *The Washington Post (1923-1954)*; Aug 17, 1940; ProQuest Historical Newspapers *The Washington Post (1877 - 1994)*, 7.

reception of me exceeded anything I had anticipated. Without any previous statement from me, he said: ‘Sir George, I will go fifty-fifty with you. You shall have one half of everything we make, whether it be aeroplanes or anything else.’ . . . For me, I was satisfied for I knew Mr. Roosevelt would never let us down.”<sup>82</sup>

Paish then went to the Brookings Institute, where Harold Moulton brought him into contact with men of influence. Edward Stettinius met with him first and introduced him to “the heads of practically all the Government Departments.”<sup>83</sup> Paish had lunch with Senator Harry Truman the next day. “We talked together for a long time, and the results were not reassuring to me. His chief message was that the Senate was pacifist, and that it would be most undesirable to permit the passage of the sixty war vessels that had been given to us to come before it.”<sup>84</sup> Paish went on meeting with other senators, but Truman’s warning soon proved true.

Paish’s meeting with Senator Burt Wheeler of Montana did not go particularly well.

Paish’s record of the conversation began with Wheeler saying,

‘As Germany is not going to attack us, we will certainly not come into the war.’

‘Have you ever tried,’ I asked, ‘to ascertain Germany’s future intentions?’

His answer was curt, ‘No. I have not.’

‘Have you ever read ‘Mein Kampf’?’ I asked.

Again – ‘No. I have not.’

‘Surely,’ I said, ‘you must think it worth your while to read it, and find out for yourself what Germany’s intentions are towards the United States.’

And for the third time – ‘No. I do not.’

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<sup>82</sup> Sir George Paish, *Memoir I*, 140-141. For an account of Roosevelt’s political maneuvering in World War II, see David M. Kennedy, *The American People in World War II: Freedom from Fear, Part Two* (The Oxford History of the United States, Vol. 9) (New York: Oxford University Press, 1999). The exchange of fifty American destroyers for bases happened in September 1940. Lend-Lease passed through Congress in March 1941.

<sup>83</sup> Sir George Paish, *Memoir I*, 141. Edward Stettinius was the director of the Office of Production Management and became the director of the Lend-Lease program in 1941.

<sup>84</sup> *Ibid.*, 142.

This astonishing conversation with an American Senator, responsible for his country's foreign policy, almost knocked me out. Half turning away from him, I said: 'Well, I brought America into the first war, and I intend to bring her into this one.'<sup>85</sup> Wheeler seemed to take this statement as an immediate threat to involve America in Europe's affairs. He subsequently mentioned his conversation with Paish to the Senate on Monday, August 26.

After its mention in the Senate, the media picked up on Paish's remark, causing a certain amount of controversy. The story was in the papers for about two weeks, even receiving a short article in *Time* magazine, in which Wheeler stated, "[Paish] is urging that 50 destroyers be given to Great Britain. He is urging that the Johnson Act [forbidding loans to nations which have defaulted on their debts to the U.S.] be repealed. He was very, very frank about it."<sup>86</sup> Meanwhile, the *Times* in London was also expressing disapproval of Paish's amateur diplomacy, although that paper had Wheeler stating that Paish "qualified [his statement] to the extent of saying 'Well, everything short of war.'"<sup>87</sup> The *Times* continued that Paish felt that these statements had misrepresented his conversation with Wheeler, as the last statement was the only section the papers mentioned, which removed his retort from its context.

Paish's friends understood his intentions and his position as a private citizen, and he received letters of support from them. J. Pryse Goodwin, a Wall Street accountant, wrote, "Congratulations. That is a wonderful piece of advertising you have pulled off with Senator

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<sup>85</sup> Sir George Paish, *Memoir I*, 142-143. In Paish's memoir, he wrote of his efforts to get America involved in World War I through a memorandum that he wrote for Lloyd George in late 1916 regarding the food situation. Shortly after Lloyd George received his memo, "Lord Reading was sent to America to try to induce the Americans to come into the war. His efforts were successful, and they came in at the beginning of April, 1917." *Ibid.*, 76.

<sup>86</sup> "National Affairs: Sir George's Indiscretion," *Time*, Monday, Sep. 09, 1940, <http://www.time.com/time/magazine/article/0,9171,764593,00.html> (accessed March 18, 2011).

<sup>87</sup> *The Times*, Wednesday, Aug 28, 1940; pg. 3; Issue 48706; col B.

Wheeler. As a result crowds will flock(?) to your lectures.”<sup>88</sup> Thomas Woodlock, who Paish had met on his first visit to America, wrote a letter expressing his distress over the situation. Woodlock thought Wheeler ignorant, as “he does not understand your idiom or background,” and other Congressmen likewise “are incapable of understanding what you are talking about.”<sup>89</sup> The political situation and presidential campaign compounded the problem, “but it would still, probably, have been a difficult and dangerous thing for you to do what you wanted - which was, I take it to help our people to understand what the war is about. I know, of course, that you did not want to make us belligerents, but merely to show us how deeply concerned we are in the issues. But you can never overtake the impression that Wheeler has given the public.”<sup>90</sup> The problem may have been as simple as the difference between British and American English, but Woodlock pointed out that an unreceptive audience would taint whatever Paish had said.

Paish left Washington for his son Donald’s home in upstate New York, where he apparently settled in, having no intention of leaving as the British embassy requested.<sup>91</sup> Instead, he decided to try a different tactic – writing out his explanation as clearly as possible, rather than depending on conversations that could be misconstrued after the fact. With encouragement from Butler, he wrote a short book titled *The Defeat of Chaos* in the fall of 1940.

He used the first three chapters to explain the danger that Hitler posed as his message to America, devoting the rest of the book to economic subjects for post-war reconstruction.<sup>92</sup>

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<sup>88</sup> J. Pryse Goodwin to Sir George Paish, August 30, 1940, Papers and Correspondence of Sir George Paish from his travels in America. Private Collection.

<sup>89</sup> Thomas F. Woodlock to Sir George Paish, August 31, 1940. Papers and Correspondence of Sir George Paish from his travels in America. Private Collection.

<sup>90</sup> Ibid.

<sup>91</sup> “Britain Tells Paish to Leave U.S. at Once,” *The Washington Post (1923-1954)*; Aug 30, 1940; ProQuest Historical Newspapers The Washington Post (1877 - 1994), 4.

Perhaps remembering his conversation with Wheeler, Paish opened the book with Hitler's foreign policy as found in *Mein Kampf*, that Germany was to "be master of the world."<sup>93</sup> The survival of Britain prevented Hitler from bringing the war to the Western Hemisphere, where he would have secured Central and South America before turning his attention to the United States. The Nazi seizure of gold, securities, and valuables from conquered countries was how Hitler was financing his war machine. America's stockpile of gold and silver were reason enough for Hitler to have the conquest of America as a future goal.<sup>94</sup> Of course, such a world empire would be impossible to maintain from an economic and political standpoint, but even so, Hitler must be stopped.<sup>95</sup> The remaining free world "must rally to each other's support. . . [to] cooperate in the task of overcoming a fanatical madman, and a nation that has become mad under the domination of a madman. There is no option. Combine or perish must be the warning cry to the peoples of every nation."<sup>96</sup> His second chapter was on the British-American alliance – their common heritage of freedom and the ability to unite in crisis, but Britain would need more help in the days ahead. The British could not protect themselves and the oceans of the world. America might need to do more than simply provide aid that stopped short of waging war.<sup>97</sup> The third chapter was a peace plan dependent on the idea that a substantial portion of the German population were not Nazis. Rather than repeat the mistakes of Versailles, Paish thought that a change in

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<sup>92</sup> Sir George Paish, *Memoir II*, 98, 113.

<sup>93</sup> Sir George Paish, *The Defeat of Chaos* (New York: D. Appelton-Century Company, Inc., 1941), 1.

<sup>94</sup> *Ibid.*, 2-5.

<sup>95</sup> *Ibid.*, 8.

<sup>96</sup> *Ibid.*, 9

<sup>97</sup> *Ibid.*, 10-14.

Germany's governing class was in order, and that helping the German people rather than punishing them would yield more promising results.<sup>98</sup>

Paish was making his plea to the American people in a more guarded way, but his suggestion that America could not long remain on the sidelines of such a great conflict was implicit throughout. He meant this early section "to convince Congress and the American people about the existing danger and to induce them to help."<sup>99</sup> He sent the first three chapters to Roosevelt shortly after completing them, and the book was published in January 1941.<sup>100</sup>

In 1941, Paish wrote further suggestions to Roosevelt. The Battle of the Atlantic resulted in incredible losses of supplies en route to Britain. Paish asked Roosevelt to send supplies in American ships. He thought this might be a futile effort, but shortly thereafter, American ships were bringing the needed goods to Britain.<sup>101</sup> After Hitler invaded Russia that summer, Paish encouraged Roosevelt to supply the Russians to help them stay in the war, avoiding a repeat of their withdrawal from conflict in 1917.<sup>102</sup> Shortly after America started sending supplies direct to Russia, Japan attacked Pearl Harbor, and America was finally brought into the war.<sup>103</sup> Paish had

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<sup>98</sup> Sir George Paish, *The Defeat of Chaos*, 15-18.

<sup>99</sup> Sir George Paish, *Memoir II*, 98.

<sup>100</sup> *Ibid.*; "Books Published Today," *New York Times (1923-Current file)*; Jan 17, 1941; ProQuest Historical Newspapers *The New York Times (1851 - 2007)*, 15.

<sup>101</sup> Sir George Paish, *Memoir I*, 165.

<sup>102</sup> *Ibid.*, 163. John Keegan attributed Lend-Lease to Russia as the prime reason for their success against Hitler. See John Keegan, *The Second World War* (New York: Penguin Books, 1990), 219. An alternative view holds that Russia was primarily responsible for winning the war, not Britain and America. See David M. Glantz and Jonathan House, *When Titans Clashed: How the Red Army Stopped Hitler* (Lawrence, Kansas: University Press of Kansas, 1995).

<sup>103</sup> Sir George Paish, *Memoir I*, 165.

stayed in the country long enough to see his prediction materialize. He returned to England in late 1942.<sup>104</sup>

In 1944, with the end of the war in sight, Paish published a series of articles in *The Statist* which were compiled into a pamphlet titled “World Restoration.” He first discredited self-proclaimed “realists” who thought the nations would sink back into isolationism by pointing out that not all evidence was as obvious as they claimed. Invisible forces such as public opinion would have a profound effect on elections and future international policies.<sup>105</sup> Paish hoped that the United Nations and the Atlantic Charter would preserve peace and facilitate rebuilding. Additionally, with the United States in it, the United Nations’ chances of success were significantly higher than the League of Nations.<sup>106</sup> The way that World War II had caught Britain unprepared had led to a change in Paish’s thinking from that of the 1920s. “The idea that wars can be prevented by disarming peaceful nations has proved to be a costly and dangerous delusion. Confidence in the future maintenance of peace cannot be created by disarmament . . . united and organised strength must be so great that no nation will venture to make war.”<sup>107</sup> The nations had come together to defeat the danger from Germany. Paish hoped that cooperation would not disband as soon as the war ended, but that a new outlook would bring peace, and that peace would bring prosperity to the nations.

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<sup>104</sup> Sir George Paish, *Memoir II*, 115.

<sup>105</sup> Sir George Paish, “World Restoration” (London: *The Statist*, 1944), 2-3, 7-9.

<sup>106</sup> *Ibid.*, 13, 15-16.

<sup>107</sup> *Ibid.*, 17.

Before renewed trade was possible, however, immediate needs required the Allies' attention. Paish had some correspondence with Cordell Hull, Roosevelt's Secretary of State.<sup>108</sup> After America entered the war, Hull wrote Paish to ask for suggestions on a course of action once the war was over. Paish answered, "We must preserve Germany from starvation because if starvation breaks out anywhere it will mean a communist revolution and once started the revolution may go round the world."<sup>109</sup> This suggestion, taken with others, may have encouraged Hull towards the creation of the United Nations Relief and Rehabilitation Administration, which provided relief to the civilian populations of war-torn Europe through 1945-1947.<sup>110</sup>

When World War II ended, Paish was nearly seventy-eight. He had spent the previous twenty years advocating international cooperation through Free Trade, which was only possible through peace. He hoped that the League of Nations, and later, the United Nations would be powerful enough to preserve such dearly won rest from war. Convinced that economic hardship and privation led to revolution and war, efforts to prevent those circumstances were of paramount importance to him, which was why the Depression had disturbed him so deeply. While misunderstood by some politicians and the press, Paish had endeavored to do his part in helping policy makers see the big picture – the world economic system that worked beyond their individual constituencies – and that by working together, everyone would be not only safer, but more prosperous.

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<sup>108</sup> Cordell Hull to Sir George Paish, June 25, 1943, COLL. MISC. 621/4, "Letters," Memoirs and miscellaneous papers of Sir George Paish, economist (1867-1957), British Library of Political & Economic Science, London School of Economics, London, United Kingdom. Hull thanked Paish for his suggestions that he had sent May 21, 1943.

<sup>109</sup> Sir George Paish, Memoir II, 118.

<sup>110</sup> Ibid. For more on the work of the UNRRA, see "Freedom from Want: UNRRA and the Relief Effort to Save Europe," in William I. Hitchcock, *The Bitter Road to Freedom: The Human Cost of Allied Victory in World War II Europe* (New York: Free Press, 2008), 215-248.

## Conclusion

Sir George Paish lived through the defining events of the early twentieth century – World War I, the Versailles Peace Conference, the economic rise and fall in the 1920s, the Great Depression, and World War II. While observing political and economic developments, Paish showed remarkable foresight in understanding the ramifications of government policies. Like the strategic game of chess, economics required the ability to account for as many potential scenarios as possible, and Paish was a master.

As an economist, Paish viewed his world through the lens of that discipline. He understood that economic laws and government policy affected the life of each person who participated in the international market, for good or ill, writing at the end of his life, “[Economics] controls our lives with a grip that can never be shaken off, for it is based, inexorably, on facts and figures: a deadly combination that produces an unanswerable logic.”<sup>1</sup> Despite the tone of this statement, Paish was not a determinist. Rather, his life testified that human action was an important, though often overlooked, economic factor. Economics was more than the study of money and numbers, but of choices. According to Jurgen Brauer and Hubert Van Tuyl, “Decision making under constraints is the provenance of economics.”<sup>2</sup>

Paish understood the constraints and tried to help others make the best decisions. His works sought to direct human choice to his Free Trade solution, which was why he met with policy makers; he hoped to alter events through changing perspectives. His choices and hard work had served him well at *The Statist*. Paish’s ability to follow the “unanswerable logic” of

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<sup>1</sup> Sir George Paish, *Memoir I*, 2.

<sup>2</sup> Jurgen Brauer and Hubert Van Tuyl, *Castles, Battles, & Bombs: How Economics Explains Military History* (Chicago: University of Chicago Press, 2008), 45.

economics to its conclusions enabled him to see long term policy ramifications before they came to fruition.

For decades, historians have recognized Paish's economic contributions as a statistical visionary. Long before calculators and computers, he saw the value of keeping careful records in the interests of efficiency, better business, and tracking economic health and growth. He pushed for reform in railway records, advocating the use of ton mile statistics to businessmen, investors, and politicians. Paish sought to expand the knowledge base of businessmen to equip them to improve their industries, and, in turn, the economy as a whole. As an international traveler and investment analyst, he attempted to gauge Britain's economic strength through statistical study long before official records or a standard economic measure existed. His studies on capital investment as an indicator of economic health are still cited as authoritative in economic works for that period.<sup>3</sup> These contributions alone merit study and analysis as an important transitional stage in economics.

Paish's resourcefulness served him well when given the opportunity to advise Lloyd George on financial legislation with far reaching consequences. Having proved his abilities to the Chancellor of the Exchequer through his estimates on financial growth, Paish heavily influenced Lloyd George's economic policies after 1910. In this position of trust, Paish was then able to give the Chancellor solid advice during the banking crisis at the beginning of World War I. In addition to regulating the currency, he helped develop the plans to save London's domestic and international banks from failing. Lloyd George thanked Paish in a private letter, stating, "No man gave me greater help during the severe financial crisis which followed the outbreak of war . . . I relied more upon your advice than upon that of any of my other advisors, and in every instance

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<sup>3</sup> Michael Edelstein, "Foreign Investment, Accumulation and Empire, 1860–1914," in *The Cambridge Economic History of Modern Britain, Volume 2: Economic Maturity, 1860–1939*, Eds. Roderick Floud and Paul Johnson, (Cambridge: Cambridge University Press, 2004).

your judgment of the outlook was justified by the event.”<sup>4</sup> Paish’s abilities to process large amounts of information and to design plans accordingly suited him for the fast paced nature of crisis management, though he could not sustain the pace for the entire war. He had little desire to serve in an official capacity after the immediate crisis was over.

Additionally, Paish facilitated positive relations between America and Britain, first as an analyst with respect for the growing American economy, and later as an envoy of the British government. He promoted British investment in America and understood that the American economy had a significant role to play in international affairs. During his visit in 1914, Paish connected London, Washington, and New York through his colleagues in government and business. After his collapse and recovery, Paish advised Lloyd George to seek American aid for food in 1917, and America entered the war a few months later. During war time, the Entente practiced Free Trade out of necessity, but policy makers did not seem to understand that such cooperation could have incredible value after they had secured the peace.

Before the Versailles Peace Conference ended, Paish understood the arduous task that was facing Europe and America. He saw that reparations would cripple recovery before it had a chance to begin. Having seen the destruction in France, he knew rebuilding would take many years. He observed the suffering of the German civilian population shortly after the war, and his initial concerns were in working to alleviate the starving peoples of Europe through charity organizations. Nevertheless, Paish anticipated the problems the Versailles Treaty caused and saw the need for reparations reductions years before the Dawes Commission reported. Europe needed additional financial help before America could expect payment on war debts.

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<sup>4</sup> David Lloyd George to Sir George Paish, July 25, 1916, E/4/1/17, Lloyd George Papers, Parliamentary Archives, London, United Kingdom.

Throughout the 1920s, Paish tracked the rebuilding process, its financial underpinnings, and the political tensions left over from the war. The League of Nations failed to become a strong body because of America's absence, and France's dealings with the German Republic were fraught with suspicion. Meanwhile, Paish thought America was mishandling the problems of credit and repayment by her refusal to accept goods instead of gold. The international market was unbalanced, and Britain could not regain equilibrium in her dealings with America or the Continent. As America and the European nations drifted into isolationism, the economic strain was nearing its breaking point.

Later in the 1920s, Paish explained the flaws of isolationist economic policy, according to his Free Trade philosophy. The haphazard organization of loans, rates of government expenditure, and ongoing currency problems deeply worried him. He met with bankers, politicians, and intellectuals to explain the true nature of the economic problem – getting to the cause rather than simply listing the symptoms. He suggested debt forgiveness as a means of restoring purchasing power, to no avail. The cycle of credit was unsustainable, and Paish warned that a worldwide crisis was all but inevitable. Throughout this decade in particular, Paish's prescriptions changed with circumstances as they arose, but always on the basis of economic interdependence and cooperation through Free Trade.

During the Great Depression, Paish saw the economic crisis deepen as politicians sought short term solutions to entrenched problems. He continued to advocate tariff removal as the primary means to restore the international market. In his writings, Paish often stated that what worked on the individual level also worked at the international level, for merchants and their customers or for nations' policies with each other. As economic turmoil gave way to authoritarian revolutions, Paish noticed with apprehension the growing militarism of Italy and

Germany. An ineffectual League of Nations had no power to enforce sanctions when Italy invaded Ethiopia, and eventually Hitler stopped upholding any pretense of diplomacy as he annexed and invaded territory. Economic and political isolationism was a temporary measure. America and England had to stop Hitler. After France fell, Paish met with Roosevelt, who offered to help. By the following year, the Lend Lease program began supplying the British war effort. World War II eventually brought America out of the Depression, but Paish had hoped to achieve economic cooperation in peace. The Allies only managed to accomplish it through war time necessity.

After World War II, Paish retired to England. He continued to write after the war on currency issues in addition to composing his memoirs. In 1957, he died in a nursing home, just six months short of his ninetieth birthday.<sup>5</sup> He was survived by his five sons, their children, and even a few young members of the next generation. Paish's descendants continue to prize the legacy of their knighted ancestor in the United Kingdom, Canada, America, and New Zealand.

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<sup>5</sup> Paish died May 1, 1957. Middleton, "Paish."

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