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R ELIEF AND RECONSTRUCTION
EUROPE
THE FIRST STEPS

An Interim Report by a Chatham House Study Group

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FOREWORD

THIS report, prepared by a Study Group of the Royal Institute of International Affairs, is intended to outline and relate to one another some of the immediate practical problems which will confront us in Europe when the war ends. Though that end is not in sight, it is a necessity of war-time as well as of post-war policy to begin to give thought to these matters now.

The broad policy, of which the various suggestions contained in these pages are the development, was laid down in the Prime Minister's declaration of August 20th 1940, in the House of Commons in connection with the sending of relief to Europe. The specific problems which that declaration raises remain. It is because those problems are of general as well as technical interest that the Institute has decided to publish this report, incomplete as it must necessarily be, and intended to be no more than a preliminary survey and a first step to more exhaustive inquiries. The programme of studies of the Institute's Reconstruction Committee, to which the report is related, concerns Britain's policy towards Europe, and the considerations of the report therefore apply to a limited area, though it is realized that similar issues will present themselves wherever the devastation of war extends.

While it has not been possible to incorporate here the many valuable comments received from those who saw the draft of the report, these have been carefully studied, and account will be taken of them in the event of publication of a revised edition.

The Institute is an unofficial body, and is precluded by its Charter from expressing a point of view on any aspect of international affairs. Opinions expressed in this Report are therefore those of members of the Group who were invited by the Council of the Institute to conduct this particular study. It should perhaps be emphasized that the publication of these papers forms part of the normal work of the Institute, and is in no way connected with the special "Foreign Research and Press Service" set up at Oxford by the Institute to carry out special services for H. M. Government during the war.

ASTOR
Chairman of the Council.

Chatham House,
10 St. James's Square,
London, S. W. I.

May 6th, 1942.

1. INTRODUCTION

A VICTORY over Germany will present Britain and her Allies with a large number of European problems demanding immediate even if provisional treatment. To relieve famine conditions, if they appear, will be a matter of the first urgency, but hardly less pressing will be the necessity of taking steps to effect a smooth transition from a war to a peace economy. In the programme of reconstruction studies¹ from which this report originates it has been found convenient to distinguish between these immediate (and transitional) measures and long-term problems. The distinction in practice will be far from sharp, since the one will merge into the other. The first steps we take after resuming our broken contacts with Europe will, indeed, largely determine our later course of action. Naturally, the views we form of the underlying principles of British policy, e.g. on the question whether we should avoid or accept important permanent responsibilities in Europe, will affect our views on immediate measures, but existing official declarations in regard to the latter afford a working hypothesis.

On August 20th, 1940, Mr Winston Churchill said in the House of Commons:

" . . . we can and we will arrange in advance for the speedy entry of food into any part of the enslaved area, when this part has been wholly cleared of German forces, and has genuinely regained its freedom. We shall do our best to encourage the building up of reserves of food all over the world so, that there will always be held up before the eyes of the peoples of Europe, including I say it deliberately the German and Austrian peoples, the certainty that the shattering of the Nazi power will bring to them all immediate food, freedom, and peace."²

After various other declarations and discussions with a similar intention, the Allied Governments agreed, at a meeting held at St James's Palace, on September 24th, 1941³:

¹ This programme is concerned with British policy towards Europe. It is therefore from a British standpoint that the present report approaches the problem of the international action required.

² Hansard, House of Commons, Vol. 364, Col. 1162, Aug. 20th, 1940.

³ Inter-Allied Meeting held in London at St James's Palace, on September 24th, 1941; Report of Proceedings. H.M. Stationery Office, Cmd. 6315, p.17.

(1) That it is their common aim to secure that supplies of food, raw materials and articles of prime necessity should be made available for the post-war needs of the countries liberated from Nazi oppression.

(2) That, while each of the Allied Governments and Authorities will be primarily responsible for making provision for the economic needs of its own peoples, their respective plans should be co-ordinated in a spirit of inter-Allied collaboration for the successful achievement of the common aim.

These purposes are ambitious, and to play the large part which would inevitably devolve upon Britain in achieving them will require a singular degree of resolution, capacity, and sacrifice on the part of the British Government and people. To aim at "social security abroad no less than at home," which Mr Eden,¹ endorsing President Roosevelt's 'Four Freedoms,' declared to be His Majesty's Government's foreign policy, is naturally inconsistent with any tendency, such as is bound to be powerfully present after the war as before it, to regard Europe as lying outside the field of real British interests. Events will determine whether in the actual circumstances in which she is placed after the close of hostilities Britain will have the resources fully to implement the present aims of the Government. Nevertheless the official statements may be taken as generally representing the objects which Britain will wish to achieve in co-operation with others if she can. In relation to the urgent post-war needs of Europe, British policy will largely depend on that of the Dominions and the U.S.A., since these needs will consist essentially in food and raw materials which they, and not the United Kingdom, will be in a position to supply. Not only, therefore, would a disposition on the part especially of the U.S.A. and the Dominions to induce Britain to contract out of Europe largely invalidate the policy of European Reconstruction, but particular decisions will, because of the situation as regards supply and finance, need to be taken in the closest co-operation with them. The position has been summed up in the Secretary of State's speech of May 29th, 1941, as follows:

"To organize the transition to peaceful activities will need the collaboration of the United States, of ourselves, and of all free countries which have not themselves suffered the ravages of war. The Dominions and ourselves can make our contribution to this because the British Empire will actually possess overseas enormous stocks of food and materials, which we are accumulating so as to ease the problems of the overseas producers during the war, and of reconstructed Europe after the war."²

¹ Speech by the Right Hon. Anthony Eden, delivered at the Mansion House on May 29th, 1941. H. M. Stationery Office, Cmd. 6289.

² *Ibid.* p. 7.

Moreover, any action by Britain is to be taken in "co-operation" with the European Governments concerned. The nature and possibilities of such co-operation are, so it is understood, already being worked out, just as arrangements must be made with the producing countries to give practical effect to approved decisions.

The entry of Soviet Russia into the war means that another European Great Power will be associated with the Western Allies in the reorganization of Europe. Though in the immediate post-war period Russia may be in need of relief supplies for herself rather than capable of dispensing them to others, this is not likely to affect her determination to have a powerful voice in all issues concerning her. If British and other Allied forces enter Germany from the west, Russian forces, no doubt bringing with them Polish and perhaps Czech units, will not less certainly move in from the east. It is well to keep in mind throughout these discussions the probability that the area of Europe in the reorganization of which the Western Allies can expect to exercise an important influence will not extend over the whole continent.

Neither relief nor reconstruction can be carried out in a state of anarchy. The most urgent task of all, the transportation and distribution of food, depends on the existence of a minimum of order. In some countries the objects of the Allies will be effected in association with a Government which enjoys their confidence and co-operation. In others their association with what purports to be the governing authority will require careful thought. In the case of Germany above all will it be important to know who is to rule and to keep order, not only for the fulfilment of the constructive purposes of the declared policy (which apply to Germany as to the rest of Europe) but also, and above all, for purposes of security.

Lastly, there is the question not only of what is done, but of what is said about it; for at no time will the importance of publicity be greater than at the precise moment when hostilities have ceased and men in every land are watching for a clue to what the future may have in store, and to the spirit in which victory will this time be utilized. Moreover, just as the policy itself must be concerted between the Allies, so should its publicity implications be the subject of consultations between them. When the fighting stops, Allied control of broadcasting and news services and other propaganda organs will be necessary in countries under military occupation or through which

the Allied lines of communication pass, first as a direct military measure; secondly, to prevent propaganda likely to frustrate the execution of Allied policy; and, thirdly, to foster in ex-enemy countries such constructive and co-operative tendencies as exist. The execution of measures of relief will require the constant use of publicity to give information and instruction to the people concerned. There will also be the need to explain why measures which may be distasteful to particular groups or even to the whole community are nevertheless necessary in the common interest. In Britain, for instance, the Government could hardly carry through a policy of active intervention in Europe such as that outlined here unless it placed before the people both its reasons for concluding that such a policy was the most likely to promote national security and well-being, and the burdens involved, e.g., delay in demobilization, maintenance of rationing, and curtailment of opportunities for private commerce.

II. AUTHORITY AND ORDER

In trying to form a picture of the situation at the close of hostilities we naturally take as our major assumption that Germany will be defeated, and that the Allies will stop fighting only when all possibility of further organized military resistance by Germany, whether outside or within the frontiers of Germany proper, is at an end. This does not necessarily mean that all fighting will have ceased. With the release of the forces both inside and outside Germany which for so long have been repressed under Nazi rule, Germany is not unlikely to be torn by civil war and attacked from without by her former victims. The position may be most acute in the East, and so great is the hatred which Germany is engendering by her treatment of the occupied territories that it is doubtful whether any German there will feel safe for some time to come. Moreover, local forces may be tempted to stake territorial claims, especially in disputed areas, and this may lead to guerrilla warfare on and over the frontiers. The whole problem will be complicated by the return, or attempted return, of armies, refugees, displaced labour, and transferred populations. Granted Germany's defeat, the above conditions may be predicted with some approach to certainty. But there are many unknown factors, including the actual position of the various armies at the moment of that defeat.

Various alternative contingencies may arise in Germany at the moment of defeat, or as defeat approaches: the survival of Hitlerism; German Army rule; emergence of an organized opposition movement; chaos of varying degrees.

The survival of Hitlerism would in all probability indicate that the basic condition for stopping the war, i.e., the impossibility of further organized resistance by Germany, was not fulfilled. Even if Hitler and the Nazis¹ did retain a measure of power after hostilities ended, it would be highly undesirable, and contrary to the defined or implied war aims of the Allies, to leave them in possession of it, nor

¹ In the course of discussion, the point was put that it might become an important question of policy whether their removal had better be left to depend on a spontaneous revulsion of German feeling, or whether it should occur (on the 1918 analogy) at the bidding of the victors.

could there then be any hope of reintegrating the German people into a European system.

When the Nazi regime collapses, power in Germany may pass to the Army. The Army will, on this hypothesis, be the sole surviving disciplined organization, and even if it did not continue to exist as a fighting force it might still be used as a police force. An inclination in some Allied quarters to acquiesce in, or even to favour, such a development might be inspired by fears of a complete breakdown of the social order in Germany through revolutionary action from within or through invasion; and such fears might be deliberately stimulated by interested German leaders. The objection to a policy of acquiescence in the government of Germany by the Army is that the victors would thereby give a new lease of life to the militaristic tradition and the domination of the military caste over German life which it has been the object of two wars to eliminate. It is essential that nothing should be done or permitted which conflicts with the cardinal aim of effectively dissolving German armed power. Local elements might be used for a time under Allied supervision as elements of order, but their duties should be turned over to a civilian organization as soon as possible.

Since totalitarianism eradicates all forms of organized political opposition, an opposition movement of the older kind could emerge only with difficulty and would probably have little chance of exercising effective control over the country Unless it had military support. The trade unions, which might once have constituted a source of opposition, have been discredited by their own actions and have ceased to have any real existence: the effective part which may be played by returning emigres, who will necessarily have been out of touch with their country, is also a very uncertain factor.

Opposition may come from a split in the Nazi party, one section calling itself anti-Nazi. But before a decision to act through it could be reached great care would have to be taken to ensure that it was a genuine opposition. If any real and powerful opposition to the Nazi regime arises, it might consist in a successful revolutionary movement among returning and demobilized soldiers, perhaps under Russian influence.

Lastly, there is the possibility of chaos. Nazi totalitarianism is so pervasive that when it collapses it may well bring down with it the whole structure of political, social, and economic relationships in

Germany. On the other hand, chaos, while reigning at the centre of German political authority, may leave virtually intact important elements of order. Many of the senior civil servants, for instance, may remain in function, especially those who have simply taken on protective Nazi colouring for the time being. In the absence of a central government these officials might keep large parts of the administrative machinery in motion. The Allies might be prepared to arrange certain matters through a committee of officials, though purely as a temporary measure, and bearing in mind that the German Civil Service has been second only to the Army as a stronghold of reaction. Local civil servants, as well as the police, may also remain at their posts, y

Granted then that the general situation in Germany may be one of chaos, tempered more or less by force of bureaucratic habit, the Allies might follow one of two courses. They might stand aside, draw a cordon along the frontier, and allow chaos to take its course; or they might themselves undertake temporarily the task of maintaining order and restoring the life of the country. In favour of standing aside, it may be argued that the situation would soon sort itself out and that leaders would emerge through whom we could act; that it is wiser to leave to Germans the onus of unpopularity for stern measures than to incur it ourselves; that at the close of the war we shall be incapable of restoring Germany as well as our own countries, and that the public, in a mood of isolationism and exhaustion, would prevent intervention on the scale which will then be required, even should the Government wish to intervene; that a period of prolonged chaos would permanently lower the economic and military strength of Germany and would contribute towards a more manageable balance of forces in Europe. To stand aside for any length of time is unlikely to be more than a theoretical possibility. Moreover, the actual task of control might not be so difficult as it seems. Germany has herself shown how whole countries can, by modern mechanisms, be taken over, even in the face of opposition, and their administrative and economic machinery adapted in a few days or weeks. It should not then be beyond the power of the Allies to undertake, for different objects, a similar responsibility, with the major foe defeated, with control over supplies of food and raw materials, and with the passive if not active support of large sections of the population. If the Germans realize that the victors, while in-

tending the punishment of guilty individuals, are not actuated by a spirit of vengeance against their whole people, collaborators will probably be forthcoming to whom the powers temporarily taken over could be progressively delegated until such time as an effective German Government emerges. This might, though we cannot be certain, be the prelude to a better understanding and help to prepare the result, which alone can give genuine and permanent security, that Germany's own mentality is changed to one of willing co-operation. So far as Britain is concerned, exhaustion, favouring isolationism, may well be less profound than at the end of four years of trench warfare, and the experience of the last war gives a warning, which it is to be hoped will be heeded, against the dangers of immediate demobilization. A policy of accepting responsibilities should not be a political impossibility, if the Government gives a lead.

If any State authority remains in Germany the question of a formal armistice will arise. The enemy is unlikely to ask for an armistice unless the military, economic, and psychological superiority of the Allies is already such that they could, by continuing their effort, impose their will upon him; nor are they likely to accept terms of armistice which do not assure the capacity immediately to impose their will and, in particular, preclude the possibility of a renewal of hostilities. The general arguments in favour of an armistice as the normal means of bringing military resistance to an end and preventing further bloodshed require no emphasis. The arguments against concluding an armistice, even if there is an authority with which we might conclude one, are, briefly, that if there is in fact no longer any possibility of organized general resistance we should, by avoiding an armistice, conserve the maximum freedom of action; also that the conclusion of an armistice might create pressure at home for immediate demobilization, and, *a fortiori*, against the dispatch of an Army of Occupation, which would render extremely difficult any renewal of hostilities even if the situation required it.

If an armistice were considered desirable, we should have first to find Army leaders with sufficient support inside Germany to ensure that the terms were carried out. It may be suggested that specific acts of strategic self-disablement, such as the handing over of essential material, might be made a condition of an armistice, rather than a measure imposed by the armistice for subsequent execution; i.e., that the armistice should come into force only when such acts had

actually been performed. It may, however, be the case that there will be no central authority and that the collapse will come with the discrediting of the Nazi regime and the disintegration of the Army. The war might simply die out on the various fronts, separate agreements for the handing over of arms and withdrawal being reached with local commanders. Similarly, there might be separate agreements with the Navy and the Air Force.

There is a general consensus of opinion that military occupation of Germany will be necessary. The occupation should be far-reaching and not merely the occupation of a limited zone as after the last war, but it might, once Germany is disarmed, be confined to strategic points. Unless there is a successful military invasion of Germany, occupation may take the form of a more or less unresisted entry into a collapsed Germany, whether before or after a formal armistice. If we start from this hypothesis of a Germany in the throes of collapse and anarchy, the occupying forces may be welcomed by a large section of the population for the purpose of restoring order, both within the country and on the frontiers. Probably the most useful results will be achieved where military occupation comes to be associated in the public mind with a state of order and with relief of various kinds. The military missions, therefore, which, as in 1918, will presumably be the first to make contact with enemy civilian authorities, should be accompanied by relief experts. Forces of the Soviet Union and other Allies will no doubt move westward. One of the most important tasks will be to establish working demarcation lines.

Occupation will be mainly the business of the Army. The Air Force, in addition to providing whatever air support may be required, and keeping in reserve a striking force which could be used against any organized opposition that might arise, will no doubt supply urgent troop transports, though it will probably not have sufficient facilities for moving the whole of the occupying forces to Germany. Equally urgent with the task of military occupation will be that of taking the first steps necessary to render the disarmament of Germany effective. Otherwise, as the last experience shows, key positions of all kinds will immediately be occupied by the nucleus determined to re-create German military power. This problem, which is connected with that of the restoration of Germany's economic strength, also raises questions of long-term policy.

The composition of the occupying forces will depend in the first

instance on whether all the Allies which have actively contributed to the presumed defeat of Germany participate, or whether the burden is assumed by those who, in respect of the importance of their material contribution, may be regarded as the "principal Allies"—Russia, the U.S.A., and the British Commonwealth. Participation should not be regarded as a momentary satisfaction of prestige, but as an obligation of international solidarity to be fulfilled so long as common Allied policy requires. If, by the end of the war, Allied policy is set towards the establishment of a European or other new international authority, or a revival of the League of Nations, the question will arise whether such policy would better be served by effecting the occupation of Germany in the name of the authority and with the participation of consenting neutrals (however few) or by the dissociation of the authority from the occupation. Once the question of the participating countries has been settled, it will be necessary to consider whether each should be accorded a zone for which it would be responsible, whether the different national forces should be mixed even in small formations, how the command should be effected, and other such questions. No doubt certain useful precedents are provided by the co-existence in Britain of different national forces subject, though for operational purposes only, to a single command.

If Germany's neighbours were to occupy all those parts of Germany to which they have territorial or other claims, disorders would almost certainly result. A theoretically simple solution would be to arrange for an immediate but temporary return to pre-war or pre-1938 frontiers, each country being occupied by its own forces, with most of Germany left to the principal Allies, whose interest in the occupation is strategic rather than territorial. However, in the confused situation which is likely to obtain, with sporadic fighting, and autonomous armies trying to stake out claims, it is impossible to foresee what will be either politically or militarily feasible. However far previous agreement between the Allies is advanced, the operative decisions will be affected by circumstances and necessities at present unforeseen, and these may well require, as immediate and transitional measures, arrangements which would need to be revised in planning a prolonged occupation.

Many other problems affecting security in Europe will urgently present themselves, e.g., those arising from Italian belligerency. However, in a necessarily incomplete sketch it has been thought better to

concentrate on the German problem as the most difficult, and central to the whole. In particular, no attempt is here made to discuss the range of problems of authority and order that will arise in the countries at present occupied, as and when they are liberated. Their first concern will almost certainly be to rid themselves of German and Quisling regimes. Owing to changes effected by Nazi occupation in both central and local government, of which we have little reliable information, but which are certainly extensive, the resulting disturbance is bound to be great. In some countries governments at present in exile may quickly re-establish their authority; in others elements inside the country may take control. It does not seem valuable to speculate on the attitude which Britain should adopt in these various contingencies, since this will depend not on any general principle (except in so far as Article 3 of the Atlantic Charter may be relevant) but on the concrete situation which presents itself in particular countries.

III. RELIEF AND RECONSTRUCTION

GENERAL CONSIDERATIONS

If effective immediate help is to be given, plans for action in the economic, social, and technical fields must be drawn up in advance, so that they may be put into operation simultaneously with measures for restoring order and authority. The needs of Europe will be urgent, and last minute improvisation, though in some respects unavoidable, may lead to confusion. In view of the uncertainty of the future, these plans must be highly flexible and will need revision from time to time.

Whatever the normally self-supporting capacity of European countries, under-nourishment and consequent weak resistance to disease are likely to be prevalent in wide areas. The main task will therefore be to organize food relief and health measures. This raises a number of secondary problems connected mainly with transport and finance. Steps will have to be taken to deal with the difficult questions raised by the extensive international movements of population which have taken place in Europe—refugee movements, transfer of labour, and evacuation to safer areas. Also, the restoration of peace production must be begun.

The official pronouncements¹ are conceived in a spirit of solidarity, and imply that whatever supplies and services are available should be pooled and allotted according to need. The difficulty of applying this principle among the conflicting claims and unequal situations of Allied, neutral, and enemy countries, is clearly enormous. Some countries will have considerable financial assets; others will be destitute. Some will have been a battleground and will have lost their harvests. In others, industrial machinery will have been destroyed or displaced. The channels of pre-war trade and payment will have altered their course. There will be demands for the restitution of stolen livestock, equipment, and property. New vested interests of all kinds will have arisen during the war to compete with the old. Though there is general agreement in theory that the economic *status quo* should not be restored, each population will judge its need according to its comparative pre-war condition.

¹ See especially the speech by Mr Winston Churchill in the House of Commons on August 20th, 1940, referred to above.

The only hope of achieving rough justice in the allotment of priorities would be to regard Europe (or those parts of it to which we have access) so far as possible as a whole from the beginning. Even so far as the barest necessities in food, clothing, and medicaments are concerned, the acceptance of such a view will demand an important intellectual and moral effort of the more favoured peoples. It means the pooling of shipping and other resources to the extent necessary to relieve acute distress wherever it is to be found; the prohibition of the cornering of essential supplies; the maintenance for some time of rationing and other war-time controls and the sacrifice of comforts and luxuries until all are assured of minimum necessities. Neighbourliness on this scale will not result from idealistic urgings, but only, if at all, from a recognition by the politically effective groups that a community of interests between European peoples does, in principle, exist, and demands this first instalment of practice. It must be assumed that the British statesmen responsible for the declarations of official policies, which could otherwise hardly be effective, so judge the situation.

The problem of providing raw materials and other resources for the restoration of productive power and employment capacity is even more complicated than that of making urgent provision for elementary human needs. It raises at once the question of the competitive post-war position of various national industries and employment groups, a question bound to be affected by the drastic changes in Europe's economic structure effected during the German hegemony. Nevertheless, in point of urgency of need no real distinction will be possible between the supplies required to meet immediate human wants, such as food, clothing, and medicaments, and supplies of seeds, fertilizers, and certain kinds of raw materials. An adequate relief policy will have to provide both, and on the same principle, so long as means of payment is lacking, of lease-lend or outright gift. The German insistence that the announced relief programmes of the supplying governments are a kind of contemptuous charity shows the need to emphasize the reconstructive character of such relief.

Whatever can be done beforehand to settle the major aims of policy will increase the chance of effective immediate action. The need of such understanding is illustrated by the Allies' handling of the question of the revictualling of Germany after the last war. **The intention, declared by the Allies in the Armistice terms, to allow food to**

enter the country, was thwarted, with serious results, both owing to the German refusal to place their merchant fleet at the disposal of the Allies for the purpose—a condition for which the Allies had failed to provide in the Armistice negotiations—and to the failure of both sides to agree on how the shipments should be financed. When the present war ends, the needs of many parts of Europe will be more urgent than those of Germany, but she should also receive what is estimated to be due to her on the scale of need, and any political or financial conditions to her doing so should be settled beforehand. More generally, the views which may be formed on the economic future of Europe, and on the institutional framework which it may be desired to set up, will determine the character of the immediate measures, and will require that measures likely to impede the realization of ultimate major aims be avoided.

MACHINERY FOR PLANNING AND EXECUTION

Both national and international organizations will be required to plan and execute the necessary measures, but the nature of the organization will vary with the stage reached, the amount of co-operation forthcoming, and other circumstances. In Britain, various government departments will be concerned. The most important administrative principle involved is that powers to execute agreed decisions should, so far as possible, be given to a single department, so as to avoid confusion. A co-ordinating role has been performed by the Ministry of Economic Warfare in regard to the disposal of export surpluses, and also, under the inter-Allied decisions referred to below, in regard to relief supplies. This experience, together with the knowledge acquired of European economic conditions and the effects of the blockade, will doubtless be available after the war, under whatever may be the suitable administrative arrangements, for the purposes of "Economic Welfare."

In some European countries an effective central government may quickly be restored, capable of handling the administrative problems of immediate measures; in others there may be disorder in varying degree, and the agents of the international authority (see next paragraph) may have to make direct contact with municipal and other local governments, military formations, railway staffs, youth organizations, workers' Soviets, churches, or whatever other serviceable elements may be left standing. The term "local authority" is here

used to cover all such organizations as well as national governments. In areas under military occupation an important part in the distribution of relief will probably be played by the military authorities, partly because the transport system will come under their control, partly because they alone may have the facilities and competence to assess needs and the power to get things done. However, wherever possible, relief should be a civilian concern.

In the proceedings at St James's Palace on September 24th, 1941, reference was made to a committee of Allied representatives to work in collaboration with a Bureau¹ whose duty it will be to survey requirements. It may be presumed that, whether through the elaboration of these initial arrangements, or through the establishment, as in the last war, of international food and supply organizations with executive war-time functions (which could be extended to cover the relief problems of European countries as and when liberated), when the time comes an international authority will be created, or will already be in being, which will control the work of various international organs dealing with economic, financial, transport, labour, medical and other subjects. This Authority, here called the Reconstruction and Supply Authority, or R.S.A., should have wide powers and a flexible organization, working with and through "local authorities" and capable of mobilizing, in diverse and changing circumstances, the resources of technical knowledge, co-operative will, and administrative capacity wherever they are to be found. The activities of the R.S.A. will need to be co-ordinated with those of the Armistice Commission or other inter-Allied authority responsible for the re-establishment of order and the disarmament of enemy States. They intersect at several points, e.g. the economic potential of Germany.

The experience of the last war gives certain warnings. Towards the end of October 1918, the Allied Maritime Transport Council and the Inter-Allied Food Council unanimously recommended that the supplies required for Europe after the Armistice should be arranged through the existing Allied organizations, and that the Allied Maritime Transport Council should, with certain extensions, be converted into a General Economic Council. Mr Hoover, whose work as Director of the Belgian Relief Commission naturally gave very great weight to his opinion, advised strongly against a proposal which would en-

¹ The Soviet representative made the reservation that the Bureau as well as the Committee shall be inter-Allied.

trust to a body mainly composed of foreigners the allocation of supplies and credits, the great bulk of which would have to come from the United States.¹ The proposal was therefore disallowed by the United States. In January 1919 there was set up an "Allied Supreme Council of Supply and Relief" which, having to work "without the assistance of a staff accustomed to work together and without either the uniting force of the war or the tradition of united action which that force had given to the war organizations,"² and having no competence in matters of transport and finance on which supply and relief depend, proved ineffective. In February this Council was merged in the Supreme Economic Council, corresponding closely to the "General Economic Council" proposed earlier. Much time and a valuable capital of experience and confidence had been wasted. This time, owing to Britain's loss of her creditor position, the U.S.A. will, with the Dominions, be even more decisively the chief supplier, and a clear understanding on the vital matter of organization should be sought well in advance.

Use should be made of existing machinery, especially the Economic and Finance Departments of the League of Nations (now working at Princeton), the League Health Organization, and the International Labour Office at Montreal. They might, for instance, assist in assessing nutritional needs, the state of transport, and the movement of populations; in health work, including work in the field; and in advising on labour problems. Moreover, voluntary bodies, such as the Society of Friends and the British, American, and other Red Cross organizations, have a wide practical knowledge of relief gained during this and the last war and in the interval, as well as trained workers prepared to serve wherever they are most wanted. Advantage should therefore be taken of their co-operation, Enough in a problem demanding official action on a vast scale their role must be subordinate. If the work of the voluntary organizations could be coordinated, both on the national and the international levels, it should be an advantage.

The efficacy of the machinery in action will largely depend on careful planning. To plan for every reasonably probable contingency is

¹ Of a total expenditure on war-relief of \$1,988 million, the U.S.A. provided about 80% (78% in the form of loans).

* Salter, *Allied Shipping Control*, p. 221 (Carnegie Endowment for International Peace. Oxford: Clarendon Press, 1921).

a counsel of perfection, but just as Chiefs of Staff have plans for "Operation X" worked out even though there may be but a small chance of "Operation X" taking place, so, even at the risk of wasted effort, alternative plans should be laid for immediate measures. When the time for their application comes there may be situations in which delay and uncertainty are as dangerous as in actual warfare. Proper liaison should keep the staff required for planning within reasonable limits of number, but such staff as it is possible to spare for this purpose will all be needed when the "shadow organizations" of the planning period have to be filled in and confront their actual task.

The first general object of planning is to form, and constantly revise, an estimate of the actual changing situation in Europe and what is needed to meet it; the supplies of food and other consumers' goods available and required; the condition and probable needs of agriculture; the state of transport, both ocean-going and internal (road, river, and rail); the state of health, particularly with respect to deficiency diseases, and the risk of epidemics; refugees, transferred labour, and other movements of population; financial position; raw materials and plant necessary to restore peace-time production; administrative personnel likely to be available. There will obviously be much guesswork, but it should be reduced to a minimum.

Administrative personnel for field work should be selected and trained ahead of time, and in the case of military occupation should move into the country concerned together with the Army. In the event of a revolt on the Continent, such a mission might perhaps constitute the vanguard, backed by military force. One of its first tasks would be to check at first hand the estimates presumed to have been made of existing conditions and needs, though in many cases action will have to be taken at once. Much will depend on the improvising and organizing capacities of these officers, and their ability to co-operate with local authorities of varied character, whether nationals of the country concerned or not. The last experience suggests that experts of different kinds, transport, industrial, agricultural, veterinary, and medical, should be attached to the missions.

FOOD AND SUPPLIES

With the help of the representatives of the Allied Governments at present in this country, fairly accurate provisional requirements programmes can no doubt be prepared for most countries by the **Bureau**

mentioned and estimates made of the supplies likely to be available to meet them. The Netherlands Government, indeed, had already begun to build up relief stores; others have prepared, or are preparing, memoranda on their requirements. Estimates will also have to be made for countries with which contact is lacking. The provisional requirements programme, which might be drawn up on the basis of the estimated needs of the first six months, should be accompanied by an immediate loading programme, covering goods to be distributed as soon as access to a particular territory is possible. It might consist only of token shipments, held ready near the scene of action or supplied, if that were possible, from stocks in the United Kingdom. There should be a second loading programme of goods for dispatch from a normal source of supply as soon as this can be arranged, and the second programme might be followed by monthly loading programmes. Programmes should be prepared as far ahead as circumstances permit, but will need constant revision. As soon as local authorities are able to function, they will no doubt grant import licences within the framework of programmes of their own making. These programmes would of course be subject to approval by the R.S.A. which would have the difficult task of allocating shipping space.

In drawing up requirements programmes the Bureau should include items other than foodstuffs, some of which are referred to under the heading "Agriculture and Industry," such as fertilizers and fodder for livestock; clothing and mending materials, the need for which is likely to be particularly urgent; soap and medical supplies; seeds, tools, and perhaps livestock for small holders; material for simple repairs (tools and machinery, poultry houses, fencing, etc.), fuel, oil and indispensable raw materials. Many areas may be denuded of the most elementary necessities, even the means of preparing food. Relative priorities will also have to be assessed as between different commodities and different countries.

Programmes should be prepared, where political animosities do not render such a method impracticable, on the basis of regions dependent on particular ports, so that all shipments to the same region may be bulked (for example, Scandinavia; the Balkans through Greece; the region served by North Sea ports; the region served by Trieste). This would enable account to be taken of local supplies and allow of the use of local surpluses for distribution in the region. Trans-

port facilities inside the area would, however, have to be taken into account. It might in some cases prove more difficult to transport goods inside a country than to bring them in from outside.

In estimating requirements, use should be made of recent scientific work on standard diets, though what will in fact be obtainable will of course fall far short of any recognized minimum. Estimates might be based on different normal diets, e.g. maize, potatoes or rye. There will be a general and immediate demand for fats. In any case, it must be emphasized that rationing will have to continue for some time after the war.

To meet the urgent demand for supplies, large stocks must, when possible, be held in readiness. A beginning has been made with the establishment of a Ministerial Committee on Export Surpluses, concerned for the most part with arrangements for purchasing surpluses, mainly within the British Empire. The object, pursued in co-operation with the Governments of the Dominions and the U.S.A., has been to ease the position of the producing countries. Partly, then, owing to the purchase of surpluses in the producers' interest, partly to the declared policy of the British, American, and other Governments to build up reserves for post-war relief, and partly to the loss of markets through blockade, shipping shortage, and other war conditions, supplies of certain commodities will no doubt be available in various quarters, though of most there will be a shortage. The present shortage of shipping makes for concentration on short hauls, and the surpluses therefore tend to accumulate in the more distant countries. If, when the war ends, Britain still has substantial stocks, some of them might be released for Europe as an emergency measure, pending replacement from overseas.

Flexibility is essential if the best use is to be made of the available supplies and shipping. While governments will naturally be inclined to earmark consignments for their own countries and to build up reserve stocks for their own use, the most satisfactory results will probably be achieved if surpluses are so held that the R.S.A. can divert them with ease to where they are most needed. If, for instance, relief is most urgently required in the countries of Eastern Europe, supplies from the Indian or Australian areas should be used, if possible, regardless of what surpluses may have been earmarked for these countries in Canada or the United States. Bulk commodities such as wheat, animal feeding stuffs, ore, and coal should not be split up be-

tween different agencies of distribution until they are near the consumption area. For this reason they should probably be owned by an *ad hoc* Corporation financed jointly by the British, American and Allied Governments, which would act on a non-profit-making basis, but include on its staff persons accustomed to commercial work. An organization of this kind should be able to operate more efficiently in world markets than a government department. To ensure equitable internal distribution, each importing country might set up an Importing Agency to purchase such bulk cargoes from the Corporation or other supplier. For non-bulk goods, each country might be allotted so many tons of space a month from stated loading areas which it could fill as it pleased, and orders might be placed direct with the suppliers under an import licensing system. As long as supply difficulties subsist the importer should be notified of the best country in which to place his order.

In some cases the co-ordination of requirements programmes and the allocation of supplies might be entrusted to regional organizations, of which the Middle East Supply Centre is an example. This body collaborated in the arrangements for distributing foodstuffs to the Syrians at the time of the occupation, and afterwards concerned itself with the more permanent organization necessary for supplying Syria's needs.

When the goods reach their destination, they might be distributed through one or more of the following agencies: governments or local authorities; the army, in territories under military occupation; special bodies set up in each country or territory, such as importing agencies; voluntary societies; ordinary commercial channels. The use of ordinary commercial channels, in itself the most convenient method, may be complicated by the fact that during the war the distribution system in some occupied countries has been largely organized in corporations on Fascist lines.

HEALTH

On the conclusion of hostilities, in addition to extensive undernourishment in large areas of Europe, the ground will be prepared for widespread epidemics, as well as for an increase of diseases generally, particularly those directly or indirectly favoured by malnutrition. The movements of populations, the lack of medical personnel and hospitals, in many areas the poor nutrition of hundreds of thousands, com-

lined with agricultural, economic, and transport problems, must all contribute to grave medical problems which may well become appalling. Typhus and malnutrition, varying from the milder forms of vitamin deprivation to starvation conditions, have already appeared in Europe, and a generalized increase of tuberculosis is inevitable. Malignant malaria may, as after the last war, become epidemic in large areas ordinarily free from it, while in Southern Europe and the Middle East epidemics of smallpox, plague, and cholera may appear. In addition to poverty and lack of transport, there will be a shortage of doctors, nurses, dietitians and other experts, and hospitals. The countries most affected will be those where the heaviest fighting has taken place and will probably include some which even in peace-time had a low standard of living and primitive health and medical services.

Against this gloomy picture can be set the fact that every country, victor and vanquished alike, will be ready and indeed anxious to contribute towards controlling disease in its own boundaries and preventing it from spreading elsewhere. In many countries the national public health services will be rapidly re-established in the face of the health conditions prevailing, and those services will be aided by local voluntary organizations such as national sections of the Red Cross. As soon as political conditions permit, the voluntary international organizations such as the International Red Cross, Save the Children Fund, the Society of Friends, etc., will at once start urgent relief work. An immediate part will be played in all probability by the American foundations, such as the Rockefeller Foundation, Millbank Foundation, etc. Speed of action in dealing with starvation and the control of epidemics is obviously of fundamental importance, and in practice it will almost certainly be found, as was the case after the last war, that the voluntary organizations are at work long before the slower machinery of the governments has come into play. Thus, unless steps are taken urgently, the first and probably the most important stage of relief work would consist only of the work of individual governments acting independently and aided by voluntary organizations. It is desirable to avoid this and to envisage some central controlling body before the war ends, so that it may come at once into operation when the need arises.

Before discussing the possible form it may perhaps be useful to make one

(1) Relief work may be carried out either by giving assistance under the direct control and supervision of the organization providing it, or by the organization acting only through the machinery of the government concerned. The former method is the easier and the more rapid and may be necessary in the initial stages of relief after the war, especially in countries where the civil administration is not completely re-established. It is, however, essential to operate, as soon as possible only through the government concerned and by utilization of that government's machinery. While admitting that such co-operation is from every point of view best, one difficulty must not be overlooked, namely, that assistance given to a government may be used by that government for party political ends. In practice, this is a real danger which can only be avoided by the donors retaining some form of close supervision and control of the ultimate destination of the goods given. Thus, in the event of only limited food and medical resources being available, care must be taken that the priority is not based upon party political interests.

(2) The control of starvation and such diseases as may be expected after the war depends primarily on transport, economic reconstruction, and agricultural recovery, and only secondarily on medical personnel and drugs. Any medical relief organization must be closely linked from its inception with these three branches of relief work.

(3) Medical relief work must be regarded as part of the work of a future international organization and should become part of this organization as soon as it is created. In constructing the immediate medical relief organization, therefore, its future absorption by a more permanent organization must be constantly borne in mind and its constitution and work should be directed to this end. This will be facilitated by the fact that from a health point of view it is essential to continue urgent relief work for sufficient time to enable a fair degree of economic and agricultural prosperity to be reached, probably over a period of some years.

The staffing of a medical relief organization must be carefully considered from several points of view. The organization, whatever its constitution, should include two groups of medical men. The first should consist of a number of senior medical advisers, whose names and experience would command respect with the various governments and who, after visiting different countries to ascertain their problems and needs, would report to the headquarters of the organization.

Secondly, an executive staff of younger doctors would be required for the field work. Too great care cannot be lavished on the choice of these doctors, as in addition to energy and technical knowledge it is of fundamental importance that they should possess tact, devotion, and the ability to work with foreigners. A knowledge of languages is, of course, a great advantage, but is of secondary importance to the three qualifications already mentioned. Above all, care must be taken to avoid the employment of "adventurers"; many of this type have proved misfits in their professional work, and are often the first to make application for an appointment. In addition to working with the government of the country concerned, any medical officers engaged on relief work would, of course, obviously require to keep in the closest possible contact with the general practitioners and consultants.

The functions of a medical relief organization should include the co-ordination in individual countries of relief work, whether governmental or by national voluntary bodies; the equitable distribution of foodstuffs for hospital staffs and patients, and of drugs and hospital equipment, whether gifts or purchases; the provision of expert advice to any country whose physicians may not be familiar with a newly introduced disease, e.g. typhus fever or malaria; and the general supervision of the steps taken by individual governments in order to ensure that similar measures of medical control are undertaken by each country to prevent unfair economic penalizing of such governments as carry out their preventive measures conscientiously. The work would also include inter-departmental liaison.

At the present time two official international organizations exist in Europe, the Office d'Hygiene Publique at Vichy and the Health Organization of the League of Nations in Geneva. During the war the Office d'Hygiene Publique, which has always been to a great extent a French organization, has come under German influence and must for all practical purposes be regarded, temporarily at any rate, as a German-controlled body. It is doubtful whether it would be possible to utilize this organization as a co-ordinating centre sufficiently rapidly after the war. Moreover, the Office d'Hygiene Publique is not equipped with the personnel and general machinery necessary for relief work.

The Health Organization with greatly reduced personnel still operates in Geneva. After nearly twenty years of executive international

health work, it still has the nucleus of a medical and subordinate medical staff, accustomed to work in several languages. Relief work has already been done extensively by the Health Organization, in Poland, Greece, Turkey, Roumania, Bulgaria, Spain, China, etc. Consequently it possesses extremely valuable records and experience. It may well be that on the conclusion of hostilities use could at once be made of this organization; from some points of view this would be a rapid and efficient solution of many of the urgent medical problems that will at once arise.

It may, however, be considered desirable for political reasons to set up an entirely new organization of a temporary nature, primarily to link up the government health services of the various countries with one another and with the voluntary organizations. This need might best be met by the appointment of a Commissioner, lay or medical, who would be advised by a Committee on which would be representatives of governments and of the voluntary organizations. As a first step, the Commissioner would act on reports sent to the Committee by his staff (medical officers, social workers, etc.), who would visit each country. Later, but as soon as possible, the advisory Committee should include the representatives of the heads of the public health services of each country. Such a scheme would follow the arrangements made at the conclusion of the last war, which worked reasonably satisfactorily as immediate measures. If it is decided to set up an entirely new organization for immediate measures, including health work, possibly on the lines outlined above, a way should be found for the new organization to benefit from the records and experience already gained in international medical relief work which are available at Geneva and elsewhere,

It is not necessary to discuss here the details of the various technical steps that should be taken in connection with famine and epidemiological conditions, but a note on the question of stores may be of interest. Relief stores will for the most part be obtained firstly from purchases by governments and voluntary organizations, secondly by gifts from governments (cf. after the last war government gifts of wheat from Canada and the U.S.A., dried fish from Newfoundland and Scandinavia, wool from Australia, milk from Switzerland, etc.). A third and most important source of supplies, particularly medical, may be expected from Army stores, Allied or enemy, which are either surplus to military needs on the cessation of hostilities or

exist in dumps in the various fields of military operations.

In the compilation of rations for relief of malnutrition in various countries the advice of experts in nutrition will be required. It must be remembered, however, that in practice it may not be desirable to draw up any rigid standard ration. Gifts from governments may be expected. Agricultural reconstruction will make available products most easily grown in the locality. Army dumps will contain a great variety of foodstuffs. It will, therefore, be impossible to generalize and rations will have to be determined locally in the light of the food resources available.

As to the type of medical relief material which will be most urgently required, it is only possible to outline probable needs in general terms. It may be taken as certain that complete hospital equipment will be needed on a wide scale, including not only medical and surgical goods, but also sheets, blankets, beds, clothing, invalid foods, etc. In addition, in connection with the control of epidemics, vaccines of several kinds (typhus, typhoid, smallpox, etc.), soap, paraffin, baths, fuel, disinfectants, etc., and chloride of lime will be essential. The drugs required will be those ordinarily used in hospital and medical practice, and in addition it is probable that quinine will be required in very considerable quantities for malaria. Particular mention should also be made of the need for anaesthetics, morphia, and salvarsan (for relapsing fever).

To sum up, it would appear that steps should be taken as soon as possible:

- (1) To encourage among the voluntary organizations action designed to co-ordinate post-war relief measures;
- (2) To decide what type of central co-ordinating organization is to be used for immediate medical relief work;
- (3) To examine the possibility of building up supplies of medical relief stores, in addition to those of food.

TRANSPORT

Relief supplies, most of which will have been produced in the more distant countries, will have to be moved from ports of loading and discharge to their final destination in Europe. Unless plans for transferring them are prepared in advance, transport may prove to be **the** principal bottleneck obstructing the speedy distribution of relief. Both shipping and inland transport will have to be planned so as to

avoid delay or congestion and to ensure that countries lacking the means of transport are not prejudiced. Air facilities will probably not be available on a large scale but could doubtless be used in the early stages for emergency transport. Close relations will have to be maintained between the R.S.A. and its representatives in the different countries, but posts, telegraphs, and telephones may not be in full working order, so that special temporary arrangements may be necessary,¹ and wireless may have to be relied on as a principal means of communication. The immediate post-war period will offer a brief but unique opportunity for the initiation of methods of permanent international co-operation in regard to transport and communications.

At the Inter-Allied meeting on September 24th, 1941, it was agreed that "the reprovisioning of Europe will require the most efficient employment after the war of the shipping resources controlled by each Government and of Allied resources as a whole, as well as of those belonging to other European countries, and that plans to this end should be worked out as soon as possible between the Allied Governments and authorities, in consultation as and when appropriate with other Governments concerned."² In no field is co-ordination more vital. If the transfer of relief supplies is left to the unregulated play of competition, prices will inevitably soar, shipping space will be cornered for non-essentials while essentials are still short, and supplies will be directed away from areas where they are most needed. In order that space may be allotted according to priorities based on need it is important that the Allied shipping pool should be maintained for as long as may be necessary after the war with the addition of other shipping German and Italian, for instance. Countries depending on their shipping for revenue, or whose command over assets places them in a favourable position for acquiring shipping and supplies, will want to shake off war-time controls as soon as possible, but every effort must be made in transport as in other spheres to treat Europe as a whole and to satisfy the more urgent needs first.

Little progress can be made with plans for allocating shipping space until the requirements programmes have been drawn up and

¹ In 1919 the American Relief Administration established a courier service, but schedules were difficult to maintain owing to the irregularity of train services. Mr Hoover therefore secured a group of officers from the United States Army Signal Corps who established a workable communications system for relief purposes.

• **Inter-Allied Meeting:** Report of Proceedings, p. 18.

priorities have been established. The demand will be enormous. Countries have been leading a hand-to-mouth existence for so long that they will want not only to secure relief supplies but also to build up normal stocks. Thus a balance will have to be struck between shipping for emergency and shipping for long-term purposes. The duration of emergency measures will depend on how soon production and distribution can be placed on a peace-time footing, and for this reason space must be found for raw materials.

Arrangements will be necessary for the reception of relief ships at the ports. Many of the latter have suffered considerable war damage and repairs will have to be undertaken urgently, so that docking and unloading and the dispatch or storing of cargoes may proceed without delay and vessels be released rapidly to return for fresh supplies. If the shortage of non-ocean-going craft (such as the American Lake ships used at the end of the last war, and coastal tonnage) is not so great as the shortage of ocean-going craft, the best use of shipping should be made by transshipment in the United Kingdom or on the French or North Sea coasts for on-carriage to Danzig for Poland and to other Baltic ports. The importance of Europe's inland transport system in the immediate post-war period will also clearly be very great. Facilities will be required for two purposes, military occupation and the dispatch of relief supplies to the different countries. The relief authorities will need the help of the military authorities in their work.

Where an Army of Occupation moves in the military authorities will at once assume control of transport for troop movements and for bringing up their own supplies. As the military lines of communication will probably be much the same as the lines for supplying relief, at any rate in Western Europe, relief supplies could be forwarded under military protection. Indeed, all relief convoys, whether by rail, road, or water, will probably need a military escort, both as a protection and to ensure the return of rolling stock and equipment. Care should be taken that countries through which relief supplies have to pass in transit receive deliveries at the same time.

The R.S.A. will no doubt set up a special transport section, which should be as small as possible, similar to the Communications Section of the Supreme Economic Council after the last war. It may prove desirable to appoint a military Director-General of Transport. In 1919 the British representative on the Communications Section **was**

also Director of Railways at the War Office and used the War Office machinery for purchases. This may again be the best arrangement, as the War Office has experience of continental requirements and the Army authorities may have special stocks which can be drawn on. Technical missions will be needed in every country with the duty of making recommendations and helping to carry out decisions.

Apart from physical damage and deterioration of all kinds of material and equipment, there will be a definite shortage of locomotives, rolling stock, trucks, and barges in many countries, owing to Germany's policy of requisitioning them for her own use. Liberated countries will demand the return of their property, but some of it will also be needed for carrying relief supplies wherever they are needed. The R.S.A. should therefore have power, until normal facilities are restored, to use transport material anywhere in Europe regardless of nationality or frontiers and to allocate priorities where facilities are limited. It will also need control over fuel and lubricants which will be in short supply. This will provide it with a useful lever to ensure compliance with its decisions.

It is important that relief convoys and personnel should be able to move freely across frontiers and should not be held up unnecessarily by customs and other formalities. Such measures as a waiver of national road transport licensing systems and the removal of other obstacles to through transport of all kinds is therefore desirable. European air services will doubtless be operating all over the continent before there has been time to reorganize other transport services, but, because a large number of aeroplanes will be required for military purposes, and because the supply of transport aircraft has never been equal to the demand, the use of the air for relief work will be limited. In so far as machines are available, however, they will be invaluable for carrying key personnel, urgent medical and relief supplies, and spare parts, and also for inspection and supervision. All the aircraft that can possibly be spared should be set aside for this purpose.

Most of the problems arising in connection with air communications, such as the prevention of aggression by air and the future of civil aviation, which will certainly require greater co-ordination than in the past, raise wider issues than can be discussed here. In the "immediate measures" period the military authorities will be principally responsible for laying down policy. Their chief concern will

doubtless be to introduce control at once over the use of every type of aircraft. Application for aircraft for relief work would be made through them, and they would be charged through their control officers at the various airports with allocating priorities. As soon as the situation permitted, commercial traffic might be encouraged, and gradually the air traffic of Europe would pass into civilian hands.

MOVEMENTS OF POPULATION

Among the movements of population likely to take place immediately after the cessation of hostilities there are two which appear to call for special regulation and assistance if serious disorders are to be avoided—foreign labour and war prisoners in Germany, and war refugees. All will seek to return at once to their homes, unless measures such as stand-still orders, which should be accompanied by publicity explaining why they are necessary and when they should end, are taken to restrain disorganized movements.

In September 1941 the number of "free" foreign workers in Germany was put at about 2½ million (including the majority of Polish war prisoners, who had been transferred to the "free" list) and 1 million prisoners of war at work, mainly French.¹ The numbers are increasing, and, if hostilities are prolonged, the number to be dealt with will be greater. There is little information so far of the magnitude of the Russian problem, though the Germans claim that the number of prisoners of war runs to millions, and it is probable that many have already been allotted to work. If any attempt is to be made at an orderly redistribution of foreign workers in Germany, the first necessity appears to be the keeping up to date of as exact a record as possible of the numbers of workers of various nationalities employed, of the industries in which they are working, and of their places of work (in so far as these can be discovered) which are constantly changing. It is understood that a skeleton record of numbers is being kept in a government department. Given the existence of a map of the distribution of foreign labour of this kind, it might be possible to deal effectively with the larger industrial groups, in which considerable numbers appear to be concentrated at present, in the shipyards of North-West Germany and in the Rhineland industrial areas. The

¹ The German figure printed on October 16th in the *Deutsche Allgemeine Zeitung* was 1,700,000 foreigners from 20 States, in addition to prisoners of war. Apparently the Poles are there treated as prisoners of war.

control of prisoners of war camps presents less difficulty, but many prisoners are distributed in small groups all over Germany for agricultural labour.

There appear to be two ways of preventing disorderly dispersion of compact groups, whether in camps or in large industrial undertakings:

(1) By military or other Allied officials on the spot, with power to provide for immediate needs, and instructions for the workers to remain where they are until proper arrangements for their transfer can be made.

(2) By instructions in advance if this is at all possible—to trade union or other leaders, through their national governments, or through their trade union organizations.

The most urgent case will be that of workers employed on munitions and allied industries, whose work will cease immediately. Special facilities for foreign workers will almost certainly be required. A major part of their wages is usually paid, not direct to them, but to their dependants in the country of origin by the local national bank, and they cannot therefore have reserves in marks with which to buy food, nor have they such reserves in kind as exist in ordinary German households. Among the foreign workers themselves there will exist different degrees of need. Workers from Western countries bordering on Germany will probably make their way home, if they are employed within measurable distance of the frontier, and no acute question is therefore likely to arise with Dutch, Belgian, and Danish labour. Poles, Czechs, nationals of Balkan countries, and Italians may present more serious problems.

So far, no very complete information of the movement of refugees before the invading German armies or of the populations expelled by the Germans from their homes is available. It is desirable that this information should be collected, the principal groups located and the possibility of return considered. Those groups include very large numbers of Poles, Jews of various nationalities, and smaller groups of Greeks, Yugoslavs, Alsations, Lorrainers, and others. With them may be included refugees under the care of the High Commissioner of the League of Nations, namely, groups of refugees formerly under the care of the Nansen Officer and the refugees from Nazi persecution in Germany. Closely associated with the High Commissioner's work is the settlement work for refugees from Germany and

Austria by the Inter-Governmental Committee formed at Evian in July 1938. Certain other groups, Spanish, Italian, Czech, do not come under either heading.

An organization should be set up to deal with problems affecting expelled persons, recruited labour, and, so far as they are not covered by existing bodies, refugees; in other words, with all those stranded at the end of the war. It should be an official organization appointed by the principal Allied Powers, and be authorized (i) to apply to the competent authorities of the Occupation for the necessary supplies and priorities; and (ii) to enlist the co-operation and where necessary co-ordinate the activities of existing organizations. A Director of international standing should be appointed; he would require the advice of an Advisory Committee of the Allied Powers, and possibly a second Advisory Committee on which the more important existing organizations, voluntary or international, were represented. It seems desirable that the Director should be appointed early, and that the relevant information should be collected and kept up to date. The nucleus of the League of Nations Secretariat remaining at Geneva might perhaps be invited to co-operate in this task.

FINANCE

There will be little relation after the war between the needs of European countries and their ability to pay (whether from exports or from surviving assets) for what they require to meet these needs. A long time must pass before economic activity in reconstructed Europe can be put on a self-supporting basis. Indeed, if all the countries in Europe were by some magic placed in a position to pay for any supplies they might want, shortage of certain types of goods and the restrictions imposed by shipping and other transport would make necessary an allocation of supplies between different territories on the basis of need. This conclusion is greatly reinforced if we assume — as we must assume — for the purposes of the study that it will not be just a case of "needs" in the abstract, but of whole countries whose populations are dying of famine and pestilence.

It follows that the relief and reconstruction problem is a supply problem, and that financial considerations in the narrower sense will play only a secondary part. Broadly speaking, those providing **the** supplies will in the first instance have to take the responsibility. The United Kingdom and other sterling countries will inevitably be

short of dollars, and be unable to provide paper "credits" to be expended in the United States. On the other hand, they could, and should, make themselves responsible for such supplies as are available and under their control. Similarly, the United States will no doubt make its own contribution to the alleviation of European difficulties, while there will be some services and commodities which the ravaged countries of Europe themselves will be able to contribute to reconstruction.¹ This would in effect be a prolongation of the war-time supply policy under which each country contributes what it can from its own resources to the common effort without primarily giving thought to ultimate repayment. In the immediate post-war period the goods would be passed to the countries that needed them, and would be put down on a hypothetical bill to be presented at some hypothetical date. The precedent of Lease-Lend will be before us, and in due course there will no doubt be a general settling up and cancellation in which war-time and post-war obligations, surviving liquid assets and future financial machinery will all play their part. This all points to the need of a positive supply policy based on priorities in relation to needs; there should be no delay in the hope of disposing of major financial questions.

Such questions will be of overwhelming difficulty and importance, and it is only because it will be impossible to solve them quickly that we have stressed the importance of by-passing them. Clearly, in the long run the approach to them must be dominated by the financial arrangements made between this country and the United States. Only in the light of such arrangements will it be possible to see how near we can get towards a workable currency standard for the world as a whole (or for a substantial part of it), and what part international financial agencies such as the Bank for International Settlements have to play.

Certain important questions will, however, become pressing at a very early stage. The political disintegration of the German "New Order" may involve the collapse of the highly centralized monetary system of Germany and the occupied countries. But the analogy with the last war and post-1918 years may be misleading. The technique of

¹ The point was put in discussion that, as distinct from "relief" supplied on Lease-Lend principles or as gifts, 'reconstruction' might be financed through an International Reconstruction Finance Corporation, perhaps conceived on **the** analogy of the American Reconstruction Finance Corporation.

monetary and exchange control has been greatly improved since then —particularly under the Nazi regime and we must not take it for granted that military defeat will automatically result in the collapse of the currencies of Germany and the occupied countries. It is, however, essential to realize that in all countries which have been subject to the "New Order" not only exchange control but also most other forms of control may have to be maintained after the German defeat, at least for a transition period. There can be no question of any immediate reversion to a "free economy." In particular there will have to be limitations on personal expenditure by rationing and otherwise (in view of the supply position); investment will have to be canalized; and the capital market rigidly controlled. Exchange control alone would be quite insufficient to prevent the danger of economic collapse. In general it is extremely important that full and detailed study should be made of mechanisms of German control both in Germany and the occupied countries. The Allied Governments would be well advised to make such studies for their own countries.

We shall be in a position, in co-operation with the United States, to assist the smaller countries in various ways in the task of reconstruction. It will be desirable (on the assumption that they will be unwilling to have a fluctuating currency at a time of stress) to help them to stabilize their currencies nominally on sterling or the dollar or possibly the Swiss franc. We shall also be able to reinforce their systems of exchange control by outside action. It is relevant to note that shortly before the outbreak of war with Japan the countries of the Sterling area and the United States had succeeded in providing China with an exchange control system enforced from the outside. All payments to and from China had to be made through "approved" channels only, these channels being under the control of the authorities of Free China. Further, no goods could be imported into the United Kingdom or the United States unless an undertaking had been given that payment would in fact be made through an approved channel within a reasonable period. Similar measures could be taken to ensure that the countries of Europe received their earnings and foreign exchange, and that goods were not sent from one country to another merely in order to enable individuals to remove their capital.

As regards Germany, the danger that the breakdown of civil authority may involve the collapse of the monetary system, strained by war finance, is greater, and the view might be held that we have

no interest in preventing such a collapse. Two valid arguments may, however, be urged against this view. First, in case of a military occupation of Germany the maintenance of monetary stability will certainly be desirable. Any Allied occupation authorities will, therefore, have to be fully equipped (particularly in respect of technically qualified and experienced personnel) to assume the direction of financial controls within the area of occupation. Here again the need for a close study of the German system during the war is obvious. Secondly, even apart from the exigencies of military occupation, monetary chaos in Germany would not in the long run, as the experience of the 1920's clearly showed, weaken the German economy, but would merely bring about, from our point of view, a pointless and possibly dangerous internal redistribution of wealth. It would seem that, if and when a stable government is maintained or re-established in Germany, and is carrying out the conditions of peace, immediate outside assistance in the maintenance of currency stability would be no less desirable than in the case of the smaller continental countries.

Lastly, there is the question of securing restitution of looted assets and the sorting out of property rights thrown into confusion by German penetration. This is complicated by the existence, side by side with victims forced to sell to the enemy, of "willing sellers," both governments and individuals. The American freezing order and our Trading with the Enemy Act have immobilized (in so far as such things are in our power) assets in enemy hands. It seems clear that this or similar machinery will have to be maintained after the war to prevent the marketing of the securities concerned until the various claimants have straightened out their difficulties. In any case, large industrial populations will have to be employed at once, irrespective of the legal situation of the property-owners, under **provisional** government control.

AGRICULTURE AND INDUSTRY

There will not be an orderly procedure by which Europe, having subsisted on outside "relief" for a brief period of convalescence, will then set itself to "reconstruct" its peace-time economy. **The** two processes will be simultaneous and inextricable, though later the one will absorb the other.

In the agricultural regions there will be an immediate demand **for**

Europe from continental sources or by short hauls, e.g., from North Africa. To judge by the last experience a valuable service which could be performed by the R.S.A. would be to provide technical advice.

Industry will be faced with the collapse of war-time demand and the manifold problems involved in switching over production from a war to a peace basis. The most obvious immediate need will be for raw materials for consumers' goods. While the shipping shortage lasts priority will no doubt be given, apart from these essential raw materials, to non-bulk goods likely to release local capacity, such as chemicals required for primary processing industries and spare parts in replacement of essential equipment.

To form an adequate estimate of the requirements of industry even for the immediate post-war period will demand a clear view of long-term economic policy. Plans based on a return to the *status quo ante*, even if effect were given to the co-operative intentions of the Atlantic Charter, would be defeated by the vast and profound changes in the location and organization of industry, in technology (change in raw material basis, etc.), and in the direction of industrial training, which will have taken place during the war, and a sudden reversal of which would be a social disaster. On the other hand, to maintain Nazi organization and merely to concentrate on switching over production capacity from war-time to peace-time uses, though it would cause less dislocation, would be a political impossibility.

Some of the arrangements by the Nazis may be retained on their merits, others as a transitional measure to avoid worse evils; but which they should respectively be can be determined only in the light of the essential objectives of policy. It has already been laid down that these will comprise social security and improved living standards for all, and that they are to fit in with the disarmament of aggressors. However, there is too little evidence of agreement on the real problems covered by this very general phraseology (e.g., the re-

to the importance of
this chapter at the earliest possible moment. In the meantime the evolution of the actual situation in Europe should be closely followed and, as long-term policy becomes more clearly defined, at least provisional opinions formed as to which tendencies should be reversed and which maintained, in so far as the decision will rest in Allied hands.

